

2002 ANNUAL REPORT KIA MOTORS CORPORATION

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 **KIA MOTORS**
231, Yangjae-Dong, Seocho-Gu,
Seoul, 137-938, Korea
TEL : 82-2-3464-1114
[http : //www.kia.co.kr](http://www.kia.co.kr)
[http : //www.kmcr.com](http://www.kmcr.com)



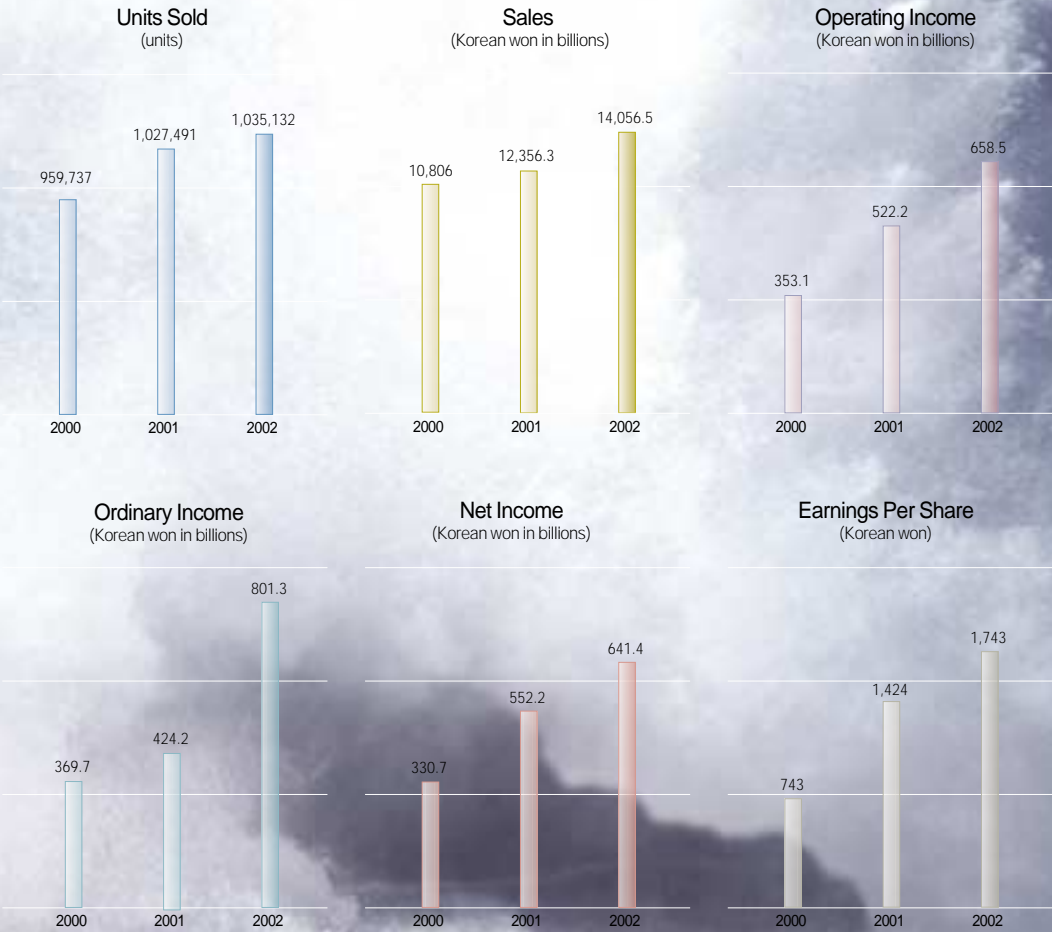
 **KIA MOTORS**



Financial Highlights

For the ended December 31, 2002, 2001 and 2000

Korean won in billions			
Area	2002	2001	2000
Units sold (units)	1,035,132	1,027,491	959,737
Sales	14,056.5	12,356.3	10,806
Operating income	658.5	522.2	353.1
Ordinary income	801.3	424.2	369.7
Net income	641.4	552.2	330.7
Earnings per share (Korean won)	1,743	1,424	743



Kia Motors – A global top-five automaker by 2010

2002 saw Kia Motors Corporation introduce more new vehicles than ever before in a single year, laying the groundwork for sustainable growth in the future. Operational soundness was also bolstered by concerted efforts to develop a leading service brand, expand markets and maximize customer satisfaction.

Kia’s brand image was significantly raised both in Korea and overseas in 2002, thanks in large part to the immensely popular Sorento SUV. 2003 witnesses the launch of the Opirus premium sedan as Kia continues to make strides toward its ambitious goal of joining the ranks of the world’s top 5 automakers.



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Kia is earning increasing respect on the global stage, gaining the trust of customers worldwide.

Kia Motors, the first Korean automobile manufacturer, is developing into a vibrant new force on the global stage. The historic driving force behind the Korean automotive industry, Kia is now reaching out to gain consumers the world over. Kia - a true global player.





Kia is a committed global partner, making a positive contribution to every market in which we operate.

Kia Motors maintains assembly operations with joint-venture partners in 12 countries around the world, contributing to local economies and providing valuable technologies and employment opportunities. We are constantly upgrading and expanding our production facilities both in Korea and overseas, most recently with the Kia Dongfeng Yueda-Kia plant in Yencheng, China in 2002 with a capacity of 50,000 units per year.

Kia is competing head to head with the world's best in terms of quality, technology and price. We are also making serious inroads into emerging markets such as China as a part of our bid to become one of the world's top automakers.

Kia's operations will become increasingly global in the future, making profitability a top priority and providing stable employment to developed and developing markets around the world.



Kia Motors Corporation.
Chairman & CEO, **Chung, Mong Koo**



Kia Motors Corporation
President & CEO,

Kim, Noi-Myung

To Our Shareholders

Kia Motors achieved record-breaking results despite difficult circumstances in 2002. We sold 897,722 finished vehicles and our sales revenue totalled ₩14.056 trillion, up 13.8% from 2001. Net income also increased 16.2% year on year to ₩641.4 billion. This success is the result of focusing extensively on profitability. 2002 marked the first year of absolute profitability while paying out stock dividends for the first time in seven years. Our financial structure has steadily strengthened as well with debt-to-equity ratio falling from 149% at the end of 2001 to 123% in 2002.

The Kia Sorento is truly the star of our new 2002 lineup. Since its launch, the mid-sized SUV has been a huge hit with drivers around the world and has elevated the Kia brand image as a whole.

In Korea, our innovative Q-service brand, introduced last year as part of our ongoing efforts to improve customer satisfaction, resulted in Kia being recognized as the number one company for customer service in our home market. The same commitment to customer service have also seen results in our overseas operations, with Kia being recognized as the most improved brand in the annual J.D. Power & Associates Initial Quality Study. Our quality initiatives have just begun and we expect to see even better results in the future.

2002 was a landmark year for many other reasons as well. The Kia TianLiMa became the first Korean automobile to be produced in China for domestic sale. We also began work on expanding output capacity at our commercial vehicle plant in Kwangju, Korea to 300,000 units, reflecting an increased focus on international sales of our commercial range.

And through the successful sponsoring of international sporting events the Kia brand is now more widely recognized than ever before. We began sponsoring the Australian Open tennis tournament in 2001 - the largest single sports marketing initiative we have ever undertaken - and saw some impressive results leading to an extension of our sponsorship until 2008. Sponsorship of the Korean national ski-jumping team also increased our brand awareness around the world as did the unparalleled coverage of Korea during the 2002 World Cup.

Nonetheless, 2003 presents a difficult set of challenges to the automobile industry. Major export markets such as the U.S. and Europe are in a downturn. The current situation in the Middle East raises the specter of soaring oil prices and the possibility of a protracted global recession. The Korean economy is also slowing and consumer sentiment is waning. Competition within the automobile industry, always a cut-throat market, is expected to intensify still further.

Despite gloomy predictions, we at Kia Motors are confident of reaching our 2003 targets of increasing annual sales by 15.5% to total 1.037 million finished vehicles worth ₩16.4 trillion.

To achieve these ambitious objectives we intend to upgrade plant operations and maintain smooth labor relations. Cost cutting efforts will continue as well. We will also bolster the competitiveness of the Kia brand through ongoing improvements to the quality and performance of the vehicles we produce.

We expect to significantly increase our share of the Korean premium sedan market with the new Opirus. Overseas, we will increase the portion of value-added RVs and full-sized models in our product mix. We will also work on expanding and strengthening our overseas sales network to build a solid base for our future plans. R&D investment will also be increased substantially in 2003, as will production capacity for our hot-selling Sorento SUV and Carnival/Sedona minivan.

Kia's offering of high-quality, good value cars will become a more compelling proposition going forward. Coupled with a stronger service network and a consistent branding and corporate identity strategy, I believe that 2003 will be another strong year for Kia Motors Corporation.

I look forward to another record performance.



Kia's product offering is setting new standards in quality and value

Kia vehicles received a slew of awards around the world in 2002 for quality, safety and value. The Kia brand has never before been so widely recognized. With the emphasis on service and quality before quantitative growth, Kia is exceeding expectations in every market in which we operate.





An 8.2% increase in domestic sales was achieved through effective marketing and improved sales activities.

- >>>> The Noblesse Membership Club provides various customer benefits and boosts the corporate and brand image.
- >>>> The introduction of new models with greater customer appeal boosted competitiveness in the RV and passenger car markets.
- >>>> New vehicle launches were linked with cultural events, increasing marketing effectiveness.
- >>>> Online services offer information, accept inquiries by e-mail and host a range of promotional events.

New customer management and sales strategies were behind the steady growth in sales in the Korean market.

2002 saw Kia place emphasis on improving sales. One initiative designed to achieve that objective was the Noblesse Membership Club, which was designed to attract customers for life by offering a range of benefits and promotions to members. Also well received domestically was the strategy of linking our marketing activities to domestic cultural events, tying the Kia brand into Korea's rich cultural heritage. These efforts resulted in an increase of 8.2% in domestic sales.

Kia launched more new models in a single year than ever before in 2002 and a detailed strategy was developed to raise the effectiveness of our sales activities. Our dealer support system was improved and customer programs were expanded.

In 2001 Kia launched a campaign stressing safety and technology as a means to promote family unity. This campaign was repeated in 2002, continuing efforts to enhance Kia's brand image. Special tours of the Kwangju plant were also offered to major commercial vehicle customers to expand Kia's corporate reputation.

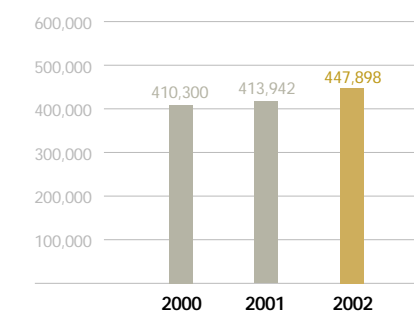
Product competitiveness in the passenger car market was improved with the introduction of the New Optima/Magentis (the Optima Regal in Korea) and the New Rio (Rio SF in Korea), while the all-new Sorento and the New Carens increased the company's cachet in the domestic RV market. Successful market penetration by these new models have led to higher sales, better profitability, and an enhanced corporate image.

Kia also adopted unique marketing approaches in 2002. The initial launches of the New Optima/Magentis and the New Rio were held in conjunction with a fashion show by international designer Park Ji-won and an exhibition by renowned photographer Kim Joong-man to project a more up-market image. Marketing and PR channels were also diversified, sponsoring movie premieres and carrying joint advertisements on a golf website with Korea's premier online content provider Daum Communication. Joint-marketing alliances also helped to boost sales while keeping expenditures to a minimum.

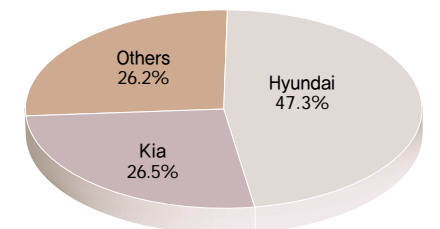
Online promotions and competitions were held through the company's homepage to complement new launches and to increase consumer awareness and acceptance of new models. The Internet was also used to develop computerized support as dealerships expanded and to improve customer service by notifying buyers via email or text messaging of new vehicles ready for pick up, for example.

A stronger domestic marketing approach will be applied to passenger cars in 2003, starting with the Opirus. A sales target of 510,000 units has been set as Kia aims to occupy 30% of the Korean market in the coming year. Kia is being positioned as a brand-leader in the competitive Korean RV market and efforts are underway to increase our share of the domestic passenger car and commercial vehicle markets.

A membership of over one million in the Noblesse Club will be the basis for a full-fledged customer relationship management program which will place top priority on customer satisfaction.



Domestic Sales (units)



Domestic Market Share (FY2002)
Source : KAMA (Korea Automobile Manufacturers Association)





Kia achieved a 5% increase in overseas retail sales during 2002, despite a general decline in the global automobile market.

- >>> Brand image was raised by industry-leading results in crash safety tests.
- >>> The "3I" campaign encouraged all Kia employees to be "Innovative, Impassioned and Inspired."
- >>> Skills training was provided to 315 people working at dealerships in 87 countries.
- >>> Distributors in 5 European countries were upgraded to subsidiary status to boost marketing capabilities and to accommodate EU regulations.

Quality improvements and aggressive marketing helped Kia overcome export market barriers.



Overall sales in the world automobile market have fallen for the past two years. However, Kia managed to achieve a 5% increase in overseas retail sales volume despite many obstacles.

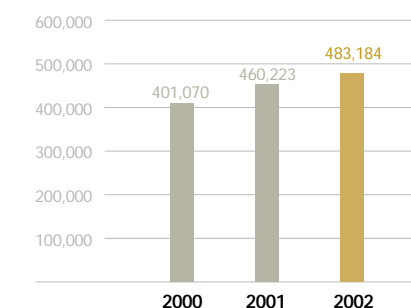
This performance is attributed to the improved Kia brand image derived from the facelifts to the Carens, Rio, and Optima/Magentis and the global launch of the new Sorento SUV. In addition, the Carnival / Sedona minivan received a blanket five-star safety rating from the US National Highway and Traffic Safety Administration (NHTSA), making it one of only two minivans at the time with a top safety rating. The resulting media exposure increased consumer confidence in the product and the brand, adding significantly to vehicle sales.



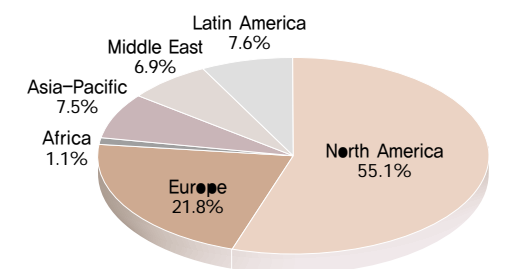
Competencies were bolstered on all fronts in 2002 to boost sales and lay the groundwork for Kia to eventually become one of the world's fifth-largest automaker. The "3I" campaign urged all employees to be "Innovative, Impassioned and Inspired" while the "The Car that Cares" advertising campaign was run worldwide throughout the year. KDCS, a new integrated export system, also helped to improve efficiency by linking all global sales and distribution networks.

Employee training programs at Kia's headquarters in Korea was also improved leading to special training sessions for 315 people working at dealerships in 87 countries around the world. Distributors in five European countries were purchased outright by Kia and upgraded to subsidiary status, expanding Kia's marketing base and enabling the company to better adapt to new EU regulations and European market preferences. Stronger service support formed the basis of a campaign to raise customer satisfaction and the Skills World Cup competition was held for the first time bringing the top Kia technicians to Korea from around the globe. PR efforts were also maximized through various events both domestically and abroad.

The new Sorento and Optima/Magentis models were launched around the world in 2002 and were highly applauded by consumers. Kia aims to build on this success to increase exports by 17.2% to 527,000 units in 2003. The focus for the coming year is on raising marketing opportunities to develop an improved brand image. Advertising and PR activities will be ongoing, and sustained efforts will be made to enter new markets.



Overseas Retail Sales (units)



Retail Sales by Region (FY 2002)





2002 saw Kia make quantitative and qualitative improvements in production.

- >>>> The Kwangju Plant is being upgraded to produce fewer models in larger quantities while facilities at the Hwasung Plant are being expanded beyond just automobile production.
- >>>> Structural alterations at the Sohari Plant have improved logistics.
- >>>> A daily ordering system speeds up customized production.
- >>>> Quality is improved by integrating Kia and Hyundai quality assurance functions.

Sweeping system improvements and innovations allow Kia to increase production of high quality vehicles

Kia's aggregate production topped ten million units in 2002, and the annual production record was broken for the second straight year. These achievements were made possible by securing production quality and successfully launching many new models, including the Sorento, the New Carens, the New Optima/Magentis, and the New Rio.



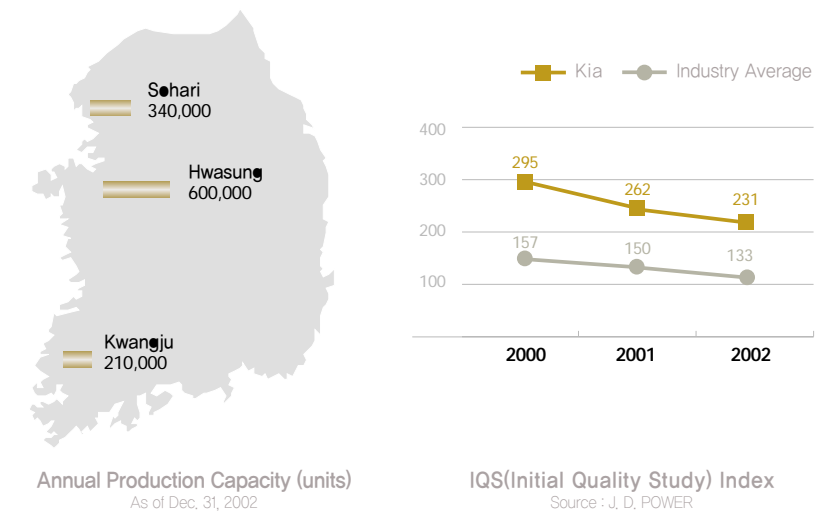
In 2002, work began at the Kwangju Plant to switch from low volume manufacturing of large number of models to the high volume production of a smaller number of models. When the expansion project is completed, annual capacity will be increased to 300,000 units. Facilities at the Hwasung Plant, meanwhile, are being expanded to produce not only automobiles but also quality testing, engine production and greater worker support. Structural alterations at the Sohari Plant have also been completed to improve logistics.

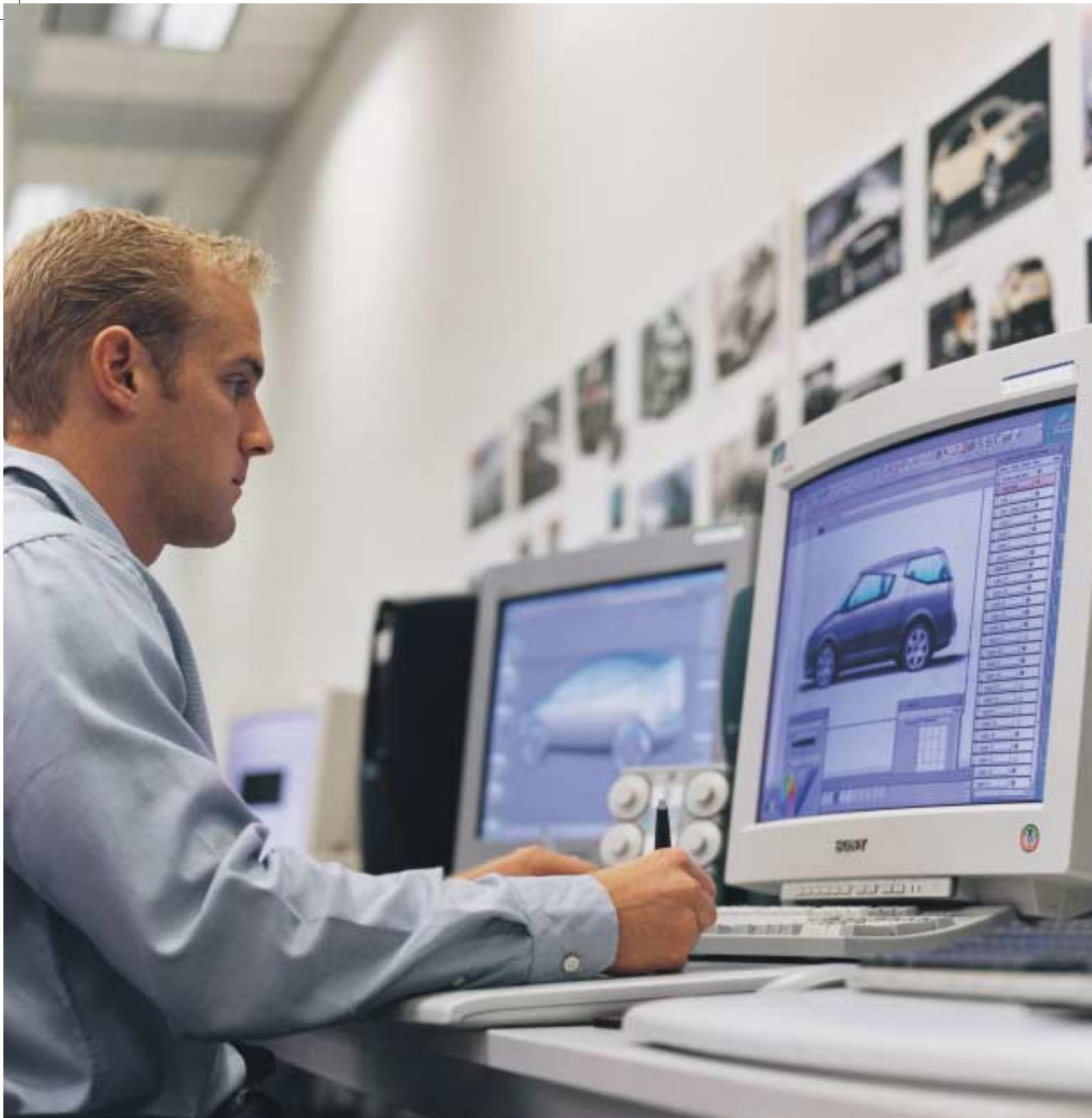


A new daily ordering system has been implemented in production related divisions to enable assembly to begin immediately after customized orders are received. An online operations management system and an after-sales production control system were developed to monitor production line status in real time. The supply of parts to after-sales service centers was also computerized to speed up the supply process while reducing required staffing levels.

Kia Motors and Hyundai Motor also integrated their quality assurance functions. Kia's Initial Quality Study (IQS) results, which directly affect overseas sales, were drastically improved while extra care was taken to minimize quality problems with new models such as the Sorento. Employees were trained in new quality control methods to raise their awareness of quality issues. Kia has been engaged in the Six Sigma quality program for three years and the results won the company the Six Sigma Innovation Award at the Korean National Quality Management Conference in November 2002.

In 2003, efforts will focus on raising productivity through line adjustments, highly successful new model launchings and minimal production flaws. Plans are in place for preventing quality problems by ensuring smooth labor relations. Proactive quality assurance for new models and IQS quality innovations will be strengthened by focusing on quality issues from the R&D stage. As a result, Kia's reputation for quality will continue to grow.





A breakthrough training system has contributed to the development of new Kia models

- >>> Fifteen Tech Leader Groups, consisting of specialized engineers, are in operation.
- >>> Technology personnel are being trained in Design For Six Sigma.
- >>> Kia products have received the highest safety scores in their class in domestic and overseas crash tests.

A long-time innovator in the Korean market, Kia is constantly developing new technologies to improve global quality.



2002 saw Kia's R&D Division rise to new challenges. Company engineers developed the Sorento, a high-value mid-sized SUV introduced in March, as well as three model facelifts - the New Carens, the New Optima/Magentis and the New Rio. Kia engineers also completed 30 variations to the standard lineup. They are now working on the new Opirus and a replacement model of Spectra for 2003.

The Spectra and Visto recorded best scores in their segments in crash tests conducted in Korea. The two Kia concept cars (MPV and SUV models) exhibited at the Seoul Motor Show in November attracted extensive critical acclaim. Overseas markets also saw high customer satisfaction levels for the Sorento and Carnival.

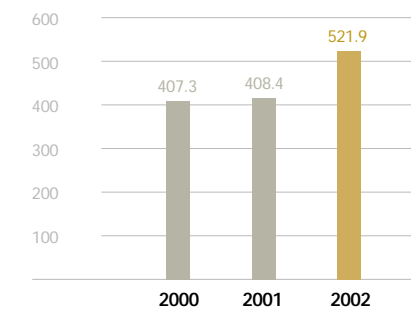
A total of 15 Tech Leader Groups, each consisting of specialized engineers, have been formed to continue improving R&D expertise and to expeditiously develop secure proprietary technologies. Kia and Hyundai share parts and new model platforms and parts are being developed into modules to improve overall quality.

Joint task forces have been formed within the R&D Division to design new models. The Pilot Research Building at the Namyang R&D Center is jointly used by Kia and Hyundai to ensure world-class quality from the beginning stages. General and Senior Managers are also being trained to qualify for Black Belt in the Design For Six Sigma program to help eliminate design errors and create robust designs.

Improvement targets set for 2002 were surpassed by 100%, due in part to the implementation of a new production cost management process that begins at the design stage.

Kia's reputation as a technology leader in the Korean domestic market continues to grow. In 2002 Kia engineers were awarded with two KT Marks, one Chang Young-sil Award and one Korea Automobile Engineering Association Award for excellence in technology.

The 2003 R&D schedule covers 29 models, including 3 new vehicles, 1 facelift, and 25 variations. Measures will also be taken to address tighter domestic restrictions on emissions and new qualification requirements for engineers.



R&D Investment
(Korean won in billions)

2000 Optima (Magentis) Spectra (Sephia II) Spectra Wing (Shuma II)	2001 Carnival II (Sedona)
2002 Sorento Carens II (New Carens) Optima Regal (New Optima, Magentis) Rio SF (New Rio)	2003 Opirus and 3 others

New Models





The Q-Service brand has secured Kia's position as the premier customer service provider in Korea.

- >>>> Maintenance and repair services have been upgraded to include free car cleaning and technician ID system.
- >>>> Kia is taking full responsibility for maintenance and repair, becoming Korea's first automaker to pay compensation for customer complaints.
- >>>> The rating system for after-sales service subcontractors has been tightened and parts supply system improved for greater customer convenience.
- >>>> On-site training at after-sales service locations is complemented by programs at company facilities for hands-on skills and related technology.

High-quality customer service is a prerequisite for global success



In 2002, Kia worked hard to offer the best service in Korea and strengthen its service image. More than 2,000 after-sales service technicians make up a nationwide network that provides top quality service for maximum customer satisfaction. Kia scored the highest among domestic automotive service companies on both the Korean Customer Satisfaction Index (KCSI), conducted by the Korea Management Consultants Association, and the Korean Standards Association's Service Quality Index (KS-SQI) in 2002.



Kia launched Q-Service to elevate its customer service image in 2002. The new brand includes service upgrades, including free car cleaning and service technician identification verification, as well as the industry's first pledge to compensate dissatisfied customers. Satisfaction with after-sales maintenance or repair can be reconfirmed by the customer via text messaging services.

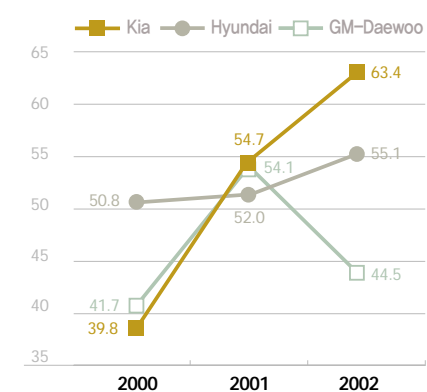
Kia vehicle owners can receive service at the nearest Car Clinic in a network that covers the entire country, and the parts supply system has been improved to save time. The rating system for subcontracted maintenance and repair shops has been tightened, and technicians receive training from Kia to ensure customers only get the best quality service.

Kia's ongoing "Basic" campaign creates the environment for top quality services; regular inspections are made to ensure maintenance and repair facilities are kept clean and pleasant.

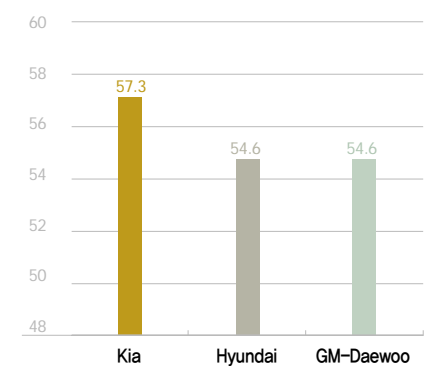
On-site training is given at after-sales service centers. Kia also provides training aids and manuals, runs a training facility to impart hands-on experience, and has opened a pilot program for maintenance and repair technology.

In 2003, marketing of the Q-Service brand will be intensified, while various new services will be developed to keep Kia at the top of the domestic customer satisfaction rankings for the industry.

■ Service Satisfaction in Korea



Korean Customer Satisfaction Index
Source : Korea Management Consultants Association



Korean Standards Association's Service Quality Index
Source : Korean Standards Association





Kia is taking its place on the global sporting scene

Kia is now involved in world-class sporting events including the Australian Open and Winter Universiade. Investment is ongoing to promote a full range of sporting activities around the world.





Korean Ski-jump Team Strikes Gold

In 2001, Kia Motors began sponsoring the Korean national ski-jump team to support the bid to hold the 2010 Winter Olympics in Korea and to promote a sport unfamiliar to most Koreans. The team traveled to Tarvisio, Italy for the 21st Winter Universiade and member Kang, Chil-gu won the Gold in the K-90 Individual event. The 4-man team also won the K-90 Team Gold. The press exposure of the Kia logo on the team uniforms is estimated to be worth hundreds of millions of won. Kia recently extended its ski-jump team sponsorship through 2006.

Kia Tigers Roar in 2002

The Kia Tigers professional baseball team performed far better than first predicted in 2002, winning 14 pre-season games, 133 regular season games and 5 playoff games to finish 3rd overall in the standings. The team has made post-season play for the first time in five years. Team Coach Kim Sung-han is optimistic the team will do even better in the coming season.

Increased sports marketing activities are building the reputation of the Kia brand



Kia Motors Extends Sponsorship of Australian Open

The Kia logo will be visible at the Australian Open tennis tournament through 2008. A press conference was held at Melbourne's Tennis Park on January 15, 2003 to announce that Kia and Tennis Australia officials had concluded a main sponsorship contract for the next five years. Kia officials calculate their sponsorship of the 2002 Australian Open generated publicity worth US\$219 million. The results from the 2003 event are expected to be worth US\$250 million.





Kia is becoming an increasingly respected player in the global automotive industry

Kia Motors plans to be a top five global automaker by 2010. It's a big dream, but Kia has always dreamed big. It's an enormous challenge, but Kia has always risen to a challenge. It's an ambitious goal, but it's a goal we fully intend to see through to completion.





Kia Motors in 2002

TOP10 News Stories

1. Sorento SUV Launch / 2. Carnival/Sedona Proven Top Minivan Overseas / 3. U.S. Retail Sales Grow 6%
4. China Market Inroads / 5. 5 New Subsidiaries in Europe / 6. Aggregate Production Tops 10 Million
7. Kwangju Plant Expansion Kicked Off / 8. 2002 Value Management Grand Prize / 9. Q-Service in Full Swing
10. Top in Automotive Service Quality

In 2002, Kia Motors focused on training people, expanding the overseas network and ensuring quality consistency.

2002 was a very eventful year for Kia Motors. New product launches, global awareness initiatives and major developments in key markets not only helped Kia to another record year but also set the stage for qualitative growth in the years to come.



>>> Sorento SUV Launch

Kia Motors moved into the fashionable SUV market with the launch of the Sorento. Development of this world-class model began in March 2000 and was completed after 22 months at a cost of ₩300 billion. The Sorento was unveiled in Europe at the Geneva Motor Show, and the popular mid-sized SUV received glowing reports from the press around the world.

>>> Aggregate Production Tops 10 Million

The 10 millionth vehicle produced by Kia Motors rolled off the production line on the morning of April 18th, 2002. The 10 million milestone was reached 28 years after Kia began exporting the Brisa S-1000 in 1975. Aggregate production reached 1 million units in September 1988, 3 million in early 1993, 4 million the next year, and 5 million the year after that. Production capacity has increased steadily and now exceeds one million units a year.



>>> Carnival/Sedona Proven Top Minivan Overseas

The Carnival/Sedona received top scores in safety tests at home and abroad. Industry journals in the U.K. and Canada selected the Carnival/Sedona as the best value car among 2002 minivans, and it earned the U.S. government's top five-star safety rating. The Carnival/Sedona was ranked first in the U.K. among diesel MPV models as well. This minivan has boosted Kia's image substantially in overseas markets, raising the company's profitability.



>>> Kwangju Plant Expansion Kicked Off

On October 1, the Kwangju Plant held a groundbreaking ceremony for an expansion project that will increase annual capacity to 300,000 units. This will be a major development for the plant, where production capacity remained at 60,000 units a year during Korea's economic crisis. Attending the ceremony, the Mayor of Kwangju, said the new facilities will invigorate the local economy, create many new jobs, and help develop local subcontractors after going into full operation in 2004.



>>> U.S. Retail Sales Grow 6%

Kia broke its record for retail sales growth in the U.S. for the second straight year in 2002. The company sold 237,345 units in 2002, which was 13,625 more units (a 6% increase) over 2001.



>>> 2002 Value Management Grand Prize

Kia Motors was honored with the 2002 Value Management Grand Prize at a ceremony sponsored by the Korea Management Association on June 20. The award is given to the company judged to have increased its EVA the most through management innovation. Kia won the Korea Quality Grand Prize and Human Resources Management Grand Prize last year, and this latest honor further elevates the corporate image. In his address at the June 20 ceremony, Kia Motors President Kim Noi-Myung said, "We will further strengthen our customer-oriented management approach and develop cutting-edge technology for future automobiles in order to realize our vision of making Kia the world's Top 5 automaker by 2010."



>>> China Market Inroads

Kia Motors signed a joint venture agreement with the Dong Feng Train Group and Yueda Group in Beijing to produce Kia's latest models in China. Construction of a new plant was subsequently begun in Yencheng, Jiansu Province, which will raise annual output capacity from 50,000 to 300,000 units. Production of the new TianLima sedan began in November and has been well received by the Chinese public. This is the first car to be completely produced locally and represents a major breakthrough for Kia in the China market.

>>> Q-Service in Full Swing

Kia's new Q-Service brand was officially launched at 20 direct-run car service centers as well as authorized after-sales service centers and Car Clinic shops around Korea. A new compensation program for dissatisfied customers was also implemented throughout the after-sales service network. Q-Service (the "Q" stands for "quick," "quality," "quiet," and "qualified") empowers maintenance and repair technicians to assume greater responsibility for their work and reduces customer complaints. By differentiating its after-sales service from the competition, Kia Motors will ultimately see its sales increase.



>>> 5 New Subsidiaries in Europe

Kia bought out distributors to establish its own subsidiaries in the U.K., Austria, Hungary, the Czech Republic and Belgium. The company has restructured operations to greatly improve sales and after-sales service functions. The creation of subsidiaries allows Head Office to be directly involved in local management. These subsidiaries will play a central role in sales in 2003, after operations are running smoothly.



>>> Top in Automotive Service Quality

Kia Motors was ranked first in the Automobile category on the 2002 Survey of Korea's Best Service Quality Companies, conducted jointly by the Korea Standards Association and the Dong-Ah Ilbo newspaper. This honor reflects the objective judgment of customers. The survey traditionally has been aimed at service industries such as hotels and departments stores but was expanded to include the automotive industry in 2002. Kia's top ranking serves as recognition of a customer satisfaction program that has been in place for years.

I. THE COMPANY

January 1, 2002 ~ December 31, 2002

1. Corporate Purposes

1. Production and sale of automobiles, transportation equipment, and related parts.
2. Production and sale of military vehicles and related parts.
3. Production and sale of machinery, tools and related parts.
4. Production and sale of heavy equipment and related parts.
5. Production and sale of engines and engine parts.
6. Production and sale of automotive accessories.
7. Production and sale of electronic devices and related parts.
8. Production and sale of chemical products.
9. Production and sale of agricultural machinery and tools.
10. Automotive repair and inspection services.
11. Export / Import.
12. Issuance of product sales agreements.
13. Distribution and service industries.
14. Wholesaling and retailing.
15. Sale of petroleum products.
16. Automotive registration services.
17. Leisure industry.
18. Information processing and sale.
19. Forestry and livestock raising.
20. Landscaping.
21. Port cargo handling.
22. Automobile management.
(buying and selling of used cars;
automobile auctions, rental, and disposal.)
23. Establishment and operation of youth training facilities.
24. Real estate leasing and sale.
25. Production and sale of information equipment.
26. Marine shipping.
27. Insurance proxy and broker.
28. E-commerce and online-related businesses.
29. Businesses incidental to those listed above.

2. Main Business

Production and sale of automobiles and automotive parts.

3. Plants, Research Centers and Sales Offices

Name	Particulars	Location
Sohari Plant	Production of the Carnival and Rio	781-1 Soha-dong, Gwangmyeong, Gyeonggi Province
Hwasung Plant	Production of the Enterprise, Optima Regal, Optima, Spectra, Spectra Wing, Carens, Sportage, and Sorento	1714 Ihwa-ri, Woojeong-myeon, Hwasung-gun, Gyeonggi Province
Kwangju Plant	Production of the Frontier, Rhino, Trade, Retona, Grace, Pregio, Combi and Large buses	700 Naebang-dong, Seo-gu, Kwangju City
Sohari R&D Center	Automotive Development and Testing	781-1 Soha-dong, Gwangmyeong, Gyeonggi Province
Apgujeong Branch & 342 Other Locations	Automobile Sales	518 Apgujeong-2dong, Gangnam-gu, Seoul

4. Employees

As of December 31, 2002

(Person)

Classification	Administration	Sales	Production	Other	Total
Male	5,747	3,472	19,942	146	29,307
Female	590	27	6	13	636
Total	6,337	3,499	19,948	159	29,943

January 1, 2002 ~ December 31, 2002

5. Corporate Stock

1) Number of shares issued

(shares, thousands of Won)

Type	Number	Value	Composition	Remarks
Registered common stock	369,730,455	₩1,848,652,275	100%	

2) Changes in Equity (Capital)

(shares, thousands of Won)

Date	Stock Type	No. of Shares	Capital Increase	Total Capital after Increase	Details
14 Aug. 1997	Common	61,696	308,480	378,693,080	Conversion of convertible bonds
02 Feb. 1999	Common	△68,169,666	△340,848,330	37,844,750	Capital reduction
30 Mar. 1999	Common	153,000,000	765,000,000	802,844,750	Capital increase with consideration (Hyundai)
30 Mar. 1999	Common	119,999,932	599,999,660	1,402,844,410	Debt-equity swap by financial institutions
30 Mar. 1999	Common	19,431,118	97,155,590	1,500,000,000	Rights offering
30 Jun. 1999	Common	76,104,823	380,524,115	1,880,524,115	Merger (5 affiliates)
30 Jun. 1999	Common	162,447	812,235	1,881,336,350	Debt-equity swap by financial institutions
20 Nov. 1999	Common	73,187,232	365,936,160	2,247,272,510	Rights offering
07 Dec. 2000	Common	142,953	714,765	2,247,987,275	Debt-equity swap by financial institutions
30 Jan. 2001	Common	△43,287,110	△216,435,550	2,031,551,725	Voluntary retirement of stocks
09 Apr. 2001	Common	△16,712,890	△83,564,450	1,947,987,275	Voluntary retirement of stocks
06 Nov. 2001	Common	△20,000,000	△100,000,000	1,847,987,275	Voluntary retirement of stocks
25 Nov 2002	Common	133,000	665,000	1,848,652,275	Debt-equity Swap by financial institutions

3) Stock Particulars

Classification	Contents
Closing date	December 31
General shareholders' meeting	Within 3 months after close of fiscal year
Shareholder register closure period	Between January 1 and 31
Stock certificate denominations	1, 5, 10, 50, 100, 500, 1,000, and 10,000 shares (8 types)
Agent for stock-related affairs	
Name	Hana Bank
Address	Securies Agency Division, 43-2 Yeoeuido-dong, Yeongdeungpo-Gu, Seoul
Newspaper for public notices	Korea Economic Daily
Shareholder privileges	None

6. Corporate Bonds

(millions of Won)

Category	Issue Date	Issue Amount	Interest	Balance	Maturity	Guarantor
259th general issue	15 Feb. 2001	₩ 250,000	7.00%	₩ 250,000	15 Feb. 2004	None
260th general issue	11 Jul. 2001	US\$ 200 mn.	9.375%	US\$ 190 mn.	11 Jul. 2006	None
261st general issue	10 Dec. 2001	US\$ 100 mn.	Floating	US\$ 100 mn.	10 Dec. 2004	None
262th general issue	3 May 2002	US\$ 200 mn.	Floating	US\$ 150 mn.	3 May 2005	None

2. BUSINESS PERFORMANCE January 1, 2002 ~ December 31, 2002

1. Overall Performance
Refer to the CEO's Message.

2. Production (units, millions of Won)

Main Product Categories	Production			
	Units		Value	
	2002	2001	2002	2001
Passenger car	463,747	501,117	2,818,235	3,083,598
RV	361,997	271,722	4,454,404	2,925,601
Van	76,126	90,772	757,962	827,408
Other	111,746	99,811	943,294	928,412
Total	1,013,616	963,422	8,973,895	7,765,019

► Includes CKD production

3. Sales Performance (units, millions of Won)

Sales Particulars		Sales Performance			
Product	Market	Units		Value	
		2002	2001	2002	2001
Passenger Car	Domestic	108,519	117,096	1,204,103	1,234,262
	Overseas	353,171	400,845	2,339,298	3,122,209
	Total	461,690	517,941	3,543,401	4,356,471
RV	Domestic	179,831	130,206	3,109,917	1,927,575
	Overseas	182,293	148,139	2,887,251	2,148,431
	Total	362,124	278,345	5,997,168	4,076,006
Van	Domestic	44,888	53,144	522,524	578,506
	Overseas	30,941	39,691	333,589	418,095
	Total	75,829	92,835	856,113	996,601
Truck and Special Vehicle	Domestic	90,053	82,437	984,459	891,461
	Overseas	19,798	20,153	165,931	208,118
	Total	109,851	102,590	1,150,390	1,099,579
Parts	Domestic	24,607	31,059	2,359,488	1,722,297
	Overseas	1,031	4,721	149,890	105,392
	Total	25,638	35,780	2,509,378	1,827,689
Total	Domestic	447,898	413,942	8,180,491	6,354,101
	Overseas	587,234	613,549	5,875,959	6,002,245
	Total	1,035,132	1,027,491	14,056,450	12,356,346

► Includes CKD units (137,410 unit in 2002 and 125,082 unit in 2001)

January 1, 2002 ~ December 31, 2002

4. New Facilities, Facility Expansion and Funding (millions of Won)

Investment	Main Areas	Required Funds	Funding Source
Land	Seokcheon Port reclamation, etc.,	3,613	Internal Cash Flow
Buildings, structures	Main Building at Hwasung Plant, etc.	76,807	"
Machinery	Production facilities	124,058	"
Vehicles	Transport and rental	14,648	"
Tools	Production facilities	130,631	"
Furnishings	Communication and computer systems, office furniture	33,971	"
Total		383,728	

3. PARENT COMPANY, SUBSIDIARIES AND CORPORATE ALLIANCES

1. Parent Company
Nothing to report.

2. Subsidiaries (shares)

Name	Location	Subsidiary		Ownership by Parent		Business Relationship
		Capital	Function	Shares	Equity	
Kia Motors America, Inc.	9801 Muirlands Blvd. Irvine, CA 92618-2521, USA	US\$ 100 mn.	Wholesale (trade)	1,000,000	100%	Export to US
Kia Japan Co., Ltd.	2-2, 3 Chome, Nishinohara, Inzai-Machi, Inba-Gun Chiba-Ken, Japan	¥ 4,290 mn.	Wholesale (trade)	85,800	100%	Automotive parts import
Kia Canada Inc.	5875 Chedworth Way Mississuga, ON L5R 3L9, Canada	C\$ 88 mn.	Wholesale (trade)	3,054	82.5%	Export to Canada
Kia Tigers Co., Ltd.	104-56 Im-dong, Buk-gu, Kwangju City, Korea	₩ 2,000 mn.	Professional baseball team	400,000	100%	

3. Executives Serving in Both Parent & Subsidiary

Name	Position	Subsidiary	Position in subsidiary
Kim, Noi-myung	President & CEO	Kia Motors America, Inc.	Director
		Kia Japan Co.,Ltd	Director
Koo, Tae-hwan	Executive Vice President	Kia Tigers	Director
		Kia Motors America, Inc.	Director
		Kia Canada Inc.	Director
		Kia Japan Co.,Ltd	Director

4. ASSETS & BUSINESS PERFORMANCE FOR PAST 3 YEARS

January 1, 2002 ~ December 31, 2002

1. Business Performance

Summarized Income Statement

(millions of Won)

Classification	2002		2001		2000	
Sales	14,056,450		12,356,346		10,806,045	
Cost of sales	11,479,729		9,758,758		8,926,092	
Gross profit		2,576,721		2,597,588		1,879,953
Selling & administrative expenses	1,918,228		2,075,347		1,526,826	
Operating income		658,493		522,241		353,127
Non-operating income	542,725		404,375		669,298	
Non-operating expenses	399,908		502,465		652,712	
Ordinary income		801,310		424,151		369,713
Extraordinary income			197,301			
Extraordinary losses						
Income before income tax		801,310		621,452		369,713
Income tax expense	159,931		69,217		39,009	
Net income		641,379		552,235		330,704

2. Assets

Summarized Balance Sheet

(millions of Won)

Classification	2002		2001		2000	
Assets						
I. Current assets		2,921,333		2,419,877		2,542,022
II. Non-current assets		6,191,315		6,018,589		5,627,259
(1) Investment assets	1,724,737		1,538,269		1,018,450	
(2) Tangible assets	4,166,854		4,303,437		4,518,991	
(3) Intangible assets	299,724		176,883		89,818	
Total assets		9,112,648		8,438,466		8,169,281
Liabilities						
I. Current liabilities		2,679,543		2,540,899		2,601,221
II. Long-term liabilities		2,339,421		2,504,551		2,506,543
Total liabilities		5,018,964		5,045,450		5,107,764
Shareholders' equity						
I. Capital stock		1,848,652		1,847,987		2,247,987
II. Capital surplus		1,699,924		1,699,924		1,920,913
III. Accumulated deficit		316,427		△324,952		△783,887
IV. Capital adjustments		228,681		170,057		△323,496
Total shareholders' equity		4,093,684		3,393,016		3,061,517
Total liabilities and shareholders' equity		9,112,648		8,438,466		8,169,281

5. KEY ISSUES FACING THE COMPANY

January 1, 2002 ~ December 31, 2002

Refer to the CEO's Message.

6. DIRECTORS & AUDITORS

Status	Name	Position	Remarks
Standing	Chung, Mong-koo	Chairman & CEO	
"	Kim, Noi-myung	President & CEO	
"	Chung, Tae-young	Vice President	Retired in Feb, 2003
"	Koo, Tae-hwan	Executive Vice President	CFO
Non-standing	Kim, Jong-chang	Outside Director	Tax accountant
"	Chung, Jong-am	Outside Director	Yonsei University Professor
"	Choi, Yul	Outside Director	Environmental Activist
"	Cho, Dong-sung	Outside Director	Seoul National University Professor

7. MAJOR SHAREHOLDERS

(shares)

Name	Shares Held	Equity Share(%)	Business Ties with Kia	Remarks
Hyundai Motor	134,285,491	36.32	Automobile production on commission	
Hyundai Capital	36,180,000	9.79		
Woori Bank	47,477,485	12.84	Major creditor	Exchangeable bonds

8. INVESTMENT BY KIA MOTORS IN OTHER COMPANIES

Name of Company	Invested Company	No. of Shares owned	Equity Share(%)
Kia Tigers	Kia Motors	400,000	100.0
Hyundai Powertek	"	14,000,000	50.0
WIA	"	3,474,738	45.3
Cheju Dynasty	"	1,240,000	40.0
Bontek	"	390,000	39.0
Dong-hui Auto	"	2,106,000	35.1
TRW Steering	"	357,242	29.0
Hyundai Dymos	"	6,024,286	27.1
NGVTEK.com	"	50,000	24.4
e-HD.com.	"	911,520	22.8
Hyundai Hysco	"	19,294,680	21.6
Autoever	"	200,000	20.0
Asset Management	"	190,000	19.9

January 1, 2002 ~ December 31, 2002

Dongyung Industries	"	115,382	19.2
Hyundai Mobis	"	13,858,120	16.3
INI Steel	"	18,159,517	15.6
Kia Japan, Co., Ltd	"	85,800	100.0
Kia Motors America, Inc.	"	1,000,000	100.0
Kia Motors Deutschland GmbH.	"	Limited Company	100.0
Kia Motors Europe GmbH.	"	Limited Company	100.0
Yan ji Kia Motors A/S	"	Limited Company	100.0
Kia Canada, Inc	"	3,054	82.5
Dongfeng - Yueda-Kia Motors Co., Ltd	"	Limited Company	50.0
Asia Motors Do Brazil	"	87,206,990	43.0
PT. Kia Timor Motors	"	30,000	30.0
Wuhan Grand Motor Co., Ltd	"	Limited Company	21.4
Kia Service Philippines	"	60,000	20.0
Kia-Ihlas Motor A.S.	"	Limited Company	15.0

9. MAJOR CREDITORS

(Shares, millions of Won)

Name	Credit Outstanding	Shares Held	Equity Share
Korea Development Bank	178,994	12,948,790	3.5%
Kyobo Life Insurance	49,636	6,746,368	1.8%
Bankers Trust Company	39,283	-	-
SG ABS	33,595	-	-
Korea Development Leasing Corporation	29,527	2,458,580	

10. KEY ISSUES AFTER FISCAL YEAR CLOSURE

Details on the expected amount of cash dividends to be paid out are as follows:

(Won, Shares)

Type of Stock	No. of Shares	Par Value	Payout Ratio	Expected Payout
Common Stock	369,730,455			
(Treasury Stock)	(1,609,158)			
	368,121,297	5,000	5% Net Income	92,030 mn. 641,379 mn.
			Dividend Propensity	14.35%

The company's dividend yield rate for the fiscal year is 2.6% (dividends per share of ₩250 ÷ closing share price on dividend basic date of ₩9,600).

11. IMPORTANT POINTS RELATED TO OTHER BUSINESS

No key issues to report.

AUDITOR'S REPORT

We, members of the Kia Motors Auditing Committee, hereby submit the results of our audit of the Company's accounting and business operations for the 59th Fiscal Year, starting on January 1, 2002 and ending on December 31, 2002.

1. Auditing Approach

The accounting audit was conducted by reading the account books and related documents and carefully examining the financial reports and their attached statements. Contrastive, documentary, admissions, referential and other appropriate auditing procedures were applied whenever deemed necessary in the conduct this audit.

We attended the Board of Directors' meetings and other important meetings to in the performance of our operational audit, and we received reports from the directors when deemed necessary. We also carefully examined documents related to all major operational activities.

2. Notes on the Balance Sheet & Income Statement

The Balance Sheet and Income Statement accurately present the Company's assets and profitability in accordance with the Articles of Incorporation and Korean Law.

3. Notes on the Report on Appropriations of Retained Earnings

The Report on Appropriations of Retained Earnings has been prepared in accordance with the Articles of Incorporation and Korean Law.

4. Notes on the Annual Report

The Annual Report accurately presents the Company's operational status in accordance with the Articles of Incorporation and Korean Law.

February 20, 2003
Kia Motors Coporation
Audit Committee
Chairman of Audit Committee Kim, Jong-chang

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Kia Motors Corporation:

We have audited the accompanying non-consolidated balance sheets of Kia Motors Corporation as of December 31, 2002 and 2001, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kia Motors Corporation as of December 31, 2002 and 2001, and the results of its operations, changes in its retained earnings and its cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated into U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

As explained in Note 2, the Company adopted Statement of Korea Accounting Standards (SKAS) No. 6 - Events Occurring after the Balance Sheet Date and SKAS No. 7 - Capitalization of Financing Costs. These statements are effective for fiscal years subsequent to December 31, 2002; however, earlier application is permitted. In addition, the Company changed its estimation of accrued warranty partially. As a result of these accounting changes, in 2002, the Company's net income increased by ₩29,640 million (\$ 24,692 thousand) and earnings per share increased by ₩80(\$ 0.07), in comparison with previous accounting method.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are intended for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Amjin & Co.

Seoul, Korea

January 29, 2003

Notice to Readers

This report is effective as of January 29, 2003, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditor's report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2001

	Korean won (in millions)		Translation into U.S. dollars(Note 2) (in thousands)	
ASSETS	2002	2001	2002	2001
Current assets:				
Cash and cash equivalents	₩ 763,739	₩ 250,849	\$ 636,237	\$ 208,971
Short-term financial instruments	760,131	399,990	633,231	333,214
Marketable securities (Note 4)	19,565	30,620	16,299	25,508
Trade notes and accounts receivable, net of unamortized present value discount of ₩ 2,540 million in 2002 and ₩ 2,921 million in 2001, and allowance for doubtful accounts of ₩ 217,738 million in 2002 and ₩ 238,079 million in 2001	589,040	877,845	490,703	731,294
Inventories (Notes 3 and 5)	485,018	420,417	404,047	350,231
Other receivables, net of unamortized present value discount of ₩ 9,638 million in 2002 and ₩ 14,539 million in 2001, and allowance for doubtful accounts of ₩ 102,971 million in 2002 and ₩ 105,816 million in 2001	147,123	254,064	122,562	211,649
Advances and other current assets, net of allowance for doubtful accounts of ₩ 32,524 million in 2002 and ₩ 87,061 million in 2001	156,717	186,092	130,554	155,025
Total current assets	2,921,333	2,419,877	2,433,633	2,015,892
Non-current assets:				
Investments, net of unamortized present value discount of ₩ 23,341 million in 2002 and ₩ 25,545 million in 2001 (Note 4)	878,056	625,658	731,470	521,208
Property, plant and equipment, net of accumulated depreciation of ₩ 1,882,817 million in 2002 and ₩ 1,534,632 million in 2001 (Notes 5 and 6)	4,166,854	4,303,437	3,471,221	3,585,002
Intangibles, net of amortization (Note 7)	299,724	176,883	249,687	147,354
Other assets (Note 8)	240,338	251,707	200,215	209,686
Deferred income tax assets (Note 17)	606,343	660,904	505,117	550,570
Total non-current assets	6,191,315	6,018,589	5,157,710	5,013,820
Total assets	₩ 9,112,648	₩ 8,438,466	\$ 7,591,343	\$ 7,029,712

(continued)

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2002 AND 2001

	Korean won (in millions)		Translation into U.S. dollars(Note 2) (in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001	2002	2001
Current liabilities:				
Short-term borrowings (Note 9)	₩ 41,299	₩ 53,519	\$ 34,404	\$ 44,584
Current maturities of long-term debt and debentures, net of discount on debentures issued of nil in 2002 and ₩ 5,264 million in 2001 (Note 10)	112,551	362,415	93,761	301,912
Trade notes and accounts payable	1,578,099	1,293,692	1,314,644	1,077,717
Accrued warranties	253,865	231,208	211,484	192,609
Accounts payable-other	549,384	499,101	457,668	415,779
Accrued expenses and other current liabilities	144,345	100,964	120,247	84,109
Total current liabilities	2,679,543	2,540,899	2,232,208	2,116,710
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and net of discount on debentures issued of ₩ 8,700 million in 2002 and ₩ 11,995 million in 2001 (Note 10)	1,350,726	1,638,933	1,125,230	1,365,322
Accrued severance benefits, net of National Pension paid for employees of ₩ 48,018 million in 2002 and ₩ 51,078 million in 2001, and individual severance insurance deposits of ₩ 668,441 million in 2002 and ₩ 562,044 million in 2001 (Note 2)	477,770	413,407	398,008	344,391
Long-term accrued warranties	491,860	436,099	409,747	363,295
Other long-term liabilities	19,065	16,112	15,884	13,423
Total long-term liabilities	2,339,421	2,504,551	1,948,869	2,086,431
Total liabilities	5,018,964	5,045,450	4,181,077	4,203,141
Commitments and contingencies (Note 11)				
Shareholders' equity:				
Capital stock (Note 12)	1,848,652	1,847,987	1,540,030	1,539,476
Capital surplus (Note 13)	1,699,924	1,699,924	1,416,131	1,416,131
Unappropriated retained earnings (accumulated deficit before disposition) (Note 14) (Net income of ₩ 641,379 million in 2002 and ₩ 552,235 million in 2001)	316,427	(324,952)	263,601	(270,703)
Capital adjustments (Note 15)	228,681	170,057	190,504	141,667
Total shareholders' equity	4,093,684	3,393,016	3,410,266	2,826,571
Total liabilities and shareholders' equity	₩ 9,112,648	₩ 8,438,466	\$ 7,591,343	\$ 7,029,712

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Korean won (in millions, except per share amounts)		Translation into U.S. dollars (Note 2) (in thousands, except per share amounts)	
	2002	2001	2002	2001
Sales (Note 23)	₩14,056,450	₩12,356,346	\$ 11,709,805	\$ 10,293,524
Cost of sales	11,479,729	9,758,758	9,563,253	8,129,588
Gross profit	2,576,721	2,597,588	2,146,552	2,163,936
Selling and administrative expenses (Note 22)	1,918,228	2,075,347	1,597,991	1,728,879
Operating income	658,493	522,241	548,561	435,057
Other income (expenses), net:				
Interest expense, net	(13,865)	(75,455)	(11,551)	(62,858)
Foreign exchange gain (loss), net	150,480	(28,179)	125,358	(23,475)
Reversal of allowance for doubtful accounts	5,921	-	4,933	-
Loss on valuation of inventories	(2,520)	(10,432)	(2,099)	(8,690)
Gain on valuation of investments securities accounted for using the equity method (Note 4)	43,776	11,996	36,468	9,993
Loss on disposal of accounts receivable	(40,420)	(93,249)	(33,672)	(77,682)
Gain on disposal of marketable securities, net	-	20,143	-	16,780
Gain on disposal of investments	1,767	6,375	1,472	5,311
Loss on impairment of investments (Note 4)	(2,550)	-	(2,124)	-
Loss on disposal of property, plant and equipment	(42,874)	(6,848)	(35,716)	(5,705)
Other, net	43,102	77,559	35,905	64,610
	142,817	(98,090)	118,974	(81,716)
Ordinary income	801,310	424,151	667,535	353,341
Extraordinary item:				
Other extraordinary income (Note 16)	-	197,301	-	164,363
Income before income tax	801,310	621,452	667,535	517,704
Income tax expense (Note 17)	159,931	69,217	133,231	57,662
Net income	₩ 641,379	₩ 552,235	\$ 534,304	\$ 460,042
Ordinary income per common share (Note 2)	₩ 1,743	₩ 916	\$ 1.45	\$ 0.76
Earnings per common share (Note 2)	₩ 1,743	₩ 1,424	\$ 1.45	\$ 1.19

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2002	2001	2002	2001
Unappropriated retained earnings (accumulated deficit before disposition):				
Beginning of year	₩ (324,952)	₩ (783,887)	\$ (270,703)	\$ (653,021)
Beginning balance adjustments:				
Cumulative effects of accounting changes	-	(39,555)	-	(32,952)
Asset revaluation tax (Note 16)	-	(12,212)	-	(10,173)
Adjustments in investment securities using the equity method and others	-	(41,533)	-	(34,599)
Net income	641,379	552,235	534,304	460,042
	316,427	(324,952)	263,601	(270,703)
Appropriations (Disposition)				
Legal reserve	9,300	-	7,748	-
Reserve for technology development	214,500	-	178,690	-
Cash dividends declared (Note 18)	92,030	-	76,666	-
	315,830	-	263,104	-
Unappropriated retained earnings (Undisposed accumulated deficit), end of year	₩ 597	₩ (324,952)	\$ 497	\$ (270,703)

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Korean won (in millions)		Translation into U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Cash flows from operating activities:				
Net income	₩ 641,379	₩ 552,235	\$ 534,304	\$ 460,042
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	462,596	452,117	385,368	376,639
Provision for doubtful accounts	-	168,676	-	140,516
Provision for severance benefits	222,579	180,715	185,421	150,546
Provision for warranties	374,783	462,202	312,215	385,040
Reversal of allowance for doubtful accounts	(5,921)	-	(4,933)	-
Loss (gain) on foreign currency translation, net	(47,661)	3,702	(39,704)	3,084
Loss on valuation of inventories	2,520	10,432	2,099	8,690
Gain on valuation of investments accounted for using the equity method, net	(43,776)	(11,996)	(36,468)	(9,993)
Gain on disposal of marketable securities, net	-	(20,143)	-	(16,780)
Gain on disposal of investment, net	(1,767)	(6,375)	(1,472)	(5,311)
Loss on impairment of investments	2,550	-	2,124	-
Loss on disposal of property, plant and equipment, net	42,874	6,848	35,716	5,705
Amortization of present value discount, net	864	(8,712)	720	(7,258)
Other extraordinary income	-	(197,301)	-	(164,363)
Compensation expenses on stock options	(368)	2,291	(307)	1,909
Changes in operating assets and liabilities:				
Decrease (Increase) in trade notes and accounts receivable	258,428	(10,053)	215,285	(8,375)
Decrease (Increase) in long-term notes and accounts receivable	(1,164)	6,084	(970)	5,068
Decrease (Increase) in inventories	(67,121)	215,397	(55,916)	179,438
Decrease in advances and other receivables	114,600	51,234	95,468	42,681
Decrease in other current assets	66,722	53,891	55,583	44,894
Decrease in deferred income tax assets	54,561	69,218	45,452	57,662
Increase (Decrease) in trade notes and accounts payable	282,928	(441,026)	235,695	(367,399)
Increase in accounts payable-other	50,216	26,958	41,833	22,458
Decrease in other current liabilities	(26,730)	(35,152)	(22,268)	(29,284)
Decrease in derivative instruments credit	-	(39,207)	-	(32,662)
Increase in income tax payable	70,099	-	58,396	-
Payment of warranties	(296,366)	(276,707)	(246,889)	(230,512)
Payment of severance benefits	(55,409)	(68,529)	(46,159)	(57,088)
Other	4,254	15,366	3,547	12,801
	2,105,670	1,162,165	1,754,140	968,148

(continued)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Korean won (in millions)		Translation into U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of marketable securities	21,105	228,858	17,582	190,651
Proceeds from disposal of investments	12,018	28,865	10,012	24,046
Reduction in other current assets	136	3,047	113	2,538
Reduction in other assets	46,777	87,635	38,968	73,005
Proceeds from disposal of property, plant and equipment	56,440	325,553	47,018	271,204
	136,476	673,958	113,693	561,444
Cash outflows from investing activities:				
Acquisition of marketable securities	(10,051)	(34,816)	(8,373)	(29,004)
Additions to other current assets	(367,661)	(346,124)	(306,282)	(288,341)
Acquisition of investments	(160,392)	(280,310)	(133,615)	(233,514)
Additions to other assets	(151,979)	(191,820)	(126,607)	(159,797)
Acquisition of property, plant and equipment	(383,728)	(543,720)	(319,667)	(452,948)
Acquisition of intangible assets	(164,441)	(112,332)	(136,988)	(93,579)
	(1,238,252)	(1,509,122)	(1,031,533)	(1,257,183)
	(1,101,776)	(835,164)	(917,840)	(695,739)
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from long-term debt	262,489	610,602	218,668	508,665
Refund of asset revaluation tax	-	22,044	-	18,364
Other	5,776	6,856	4,812	5,711
	268,265	639,502	223,480	532,740
Cash outflows from financing activities:				
Repayment of short-term borrowings	(11,809)	(20,286)	(9,838)	(16,899)
Repayment of current maturities of long-term debt	(367,679)	(692)	(306,297)	(576)
Repayment of long-term debt	(377,125)	(380,531)	(314,166)	(317,003)
Acquisition of treasury stock	-	(343,331)	-	(286,014)
Other	(2,656)	(2,447)	(2,213)	(2,038)
	(759,269)	(747,287)	(632,514)	(622,530)
	(491,004)	(107,785)	(409,034)	(89,790)
Net increase in cash and cash equivalents	512,890	219,216	427,266	182,619
Cash and cash equivalents, beginning of year	250,849	31,633	208,971	26,352
Cash and cash equivalents, end of year	₩ 763,739	₩ 250,849	\$ 636,237	\$ 208,971

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

1. THE COMPANY

Kia Motors Corporation (the "Company"), incorporated in December 1944 under the laws of the Republic of Korea, is one of the leading motor vehicle manufacturers in Korea producing and offering for sale a range of passenger cars, recreational vehicles and commercial vehicles both in the domestic and the export markets. The Company owns and operates three principal automobile production plants: the Sohari plant, the Hwasung plant and the Kwangju plant. The shares of the Company have been listed on the Korea Stock Exchange since 1973.

Overseas subsidiaries for export sales are Kia Motors America, Inc. (KMA) in the U.S, Kia Canada, Inc. (KCI) in Canada, Kia Motors Deutschland GmbH (KMD) in Germany and others.

As of December 31, 2002, the largest shareholder of Kia is Hyundai Motor Company, which holds 36.3 percent of the Company's stock.

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying financial statements.

The US dollar amounts presented in these financial statements were computed by translating the Korean won into US dollars based on the Bank of Korea Basic Rate of ₩1,200.40 to US \$1.00 at December 31, 2002, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Early Adoption of Statement of Korea Accounting Standards No. 6 and No. 7

The Company adopted Statement of Korea Accounting Standards (SKAS) No. 6 - Events Occurring after the Balance Sheet Date. The statement provides accounting and reporting standards for events occurring after the balance sheet date. This statement is effective for fiscal years subsequent to December 31, 2002; however, earlier application is permitted. As the Company adopted early this statement in 2002, appropriations of retained earnings to be approved at the stockholders meeting subsequent to December 31, 2002 are not recorded in the accompanying financial statements and to be accounted for in 2003. Relevant accounts and unappropriated retained earnings for the preceding year have been adjusted to conform to the provision of SKAS No. 6.

Also, the Company adopted early SKAS No. 7 - Capitalization of Financing Costs in 2002, which presents that principally all financing costs should be charged to current operations but capitalization of financial costs to meet certain conditions can be acceptable. In accordance with this statement, the Company elected to adopt the accounting method of charging all financing costs to current operations by using the prospective approach.

Revenue Recognition

Revenue, including long-term installment sales, is recognized at the time of shipping motor vehicles and parts. The interest income arising from long-term installment sales contracts is recognized using the level yield method.

Valuation of Marketable Securities

Marketable securities are recorded at purchase price plus incidental costs. However, if the fair value of marketable securities differs from the book value determined by the moving average method, the securities are stated at fair value and the valuation gain or loss is recognized in current operations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of the receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average method except for materials in-transit for which cost is determined using the specific identification method.

Investment Securities

Equity securities held for investment (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, as determined by the moving average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is recorded in capital adjustments.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Equity securities held for investment that are in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method, except investment equity securities in affiliates whose total assets (non-consolidated basis) are less than the required level of ₩7,000 million and the differences arising from the use of the equity method are not considered material, which are stated at cost. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to capital adjustments.

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, resulting valuation gain or loss reported as a capital adjustment within shareholder' equity. However, if the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation gain or loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to-maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is recorded in capital adjustments.

The lower of acquisition cost of investments in treasury stock funds and the fair value of treasury stock included in a fund is accounted for as treasury stock in capital adjustments.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for the assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment.

Before 2002, the Company capitalized interest as part of the cost of constructing major facilities and equipment. The interest expense capitalized was ₩21,344 million (\$17,781 thousand) in 2001.

As the Company adopted early SKAS No. 7 - Capitalization of Financing Costs, in 2002, all financing costs incurred were charged to current operations. This change of accounting method resulted in the decrease of net income by ₩10,220 million (\$8,514 thousand) compared with the previous method.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows

	Useful Lives
	(Years)
Buildings and structures	20~40
Machinery and equipment	15
Vehicles	5
Tools, Dies and moulds	5
Office equipment	5

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of the related assets from date of usage. Development costs, incurred in conjunction with development of new products or technologies and others, are amortized over the estimated economic useful life (not to exceed 5 years) from the date of usage of the related products, using the straight-line method. Ordinary development and research costs are expensed as incurred.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. The Company's long-term trade notes and accounts receivable, including current portion, are stated net of unamortized present value discounts of ₩4,909 million (\$4,089 thousand) and ₩5,601 million (\$4,666 thousand) as of December 31, 2002 and 2001, respectively, using an interest rate of 10.0 percent

Accrued Warranties and Product Liabilities

The Company generally provides the ultimate consumer a warranty for each product sold and accrues warranty expense at the time of sale based on actual claims history. In addition, the Company accrues product liability expense with respect to its potential product liability claims in North America.

In 2002, the Company recognizes additional accrued liabilities including ₩15,088 million (\$12,569 thousand) of the provision for the projected costs of all vehicles placed in service prior to December 31, 2001 to comply with an European Parliament directive regarding end-of-life vehicles. Under the directive, manufacturers are financially responsible for at least a portion of the cost of the dismantling and recycling of all vehicles placed in service prior to July 2002 that are still in operation in January 2007 as well as vehicles placed into service after July 2002. Actual warranty costs incurred are charged against the accrual when paid.

In 2002, the Company changed its estimation of accrued warranty for the exported vehicles. The Company generally provides the warranty program that is limited to certain years in service or certain miles in service from the date of first service, whichever comes first. Before 2002, the Company estimated the accrual based on the number of vehicles exported within the warranty period of months in service. However, in 2002, the Company accrues warranty expenses based on the units in operation within the warranty term considering miles in service as well as months in service. This change resulted an increase in net income of ₩39,860 million (\$33,206 thousand).

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits as of December 31, 2002 and 2001 that would be payable assuming all eligible employees were to resign amount to ₩1,194,229 million (\$994,859 thousand) and ₩1,026,529 million (\$855,156 thousand), respectively.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Accrued severance benefits are approximately 56 percent and 55 percent funded as of December 31, 2002 and 2001, respectively, through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against the severance payment. Such receivables, totalling ₩48,018 million (\$40,002 thousand) and ₩51,078 million (\$42,551 thousand) as of December 31, 2002 and 2001, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Stock Options

The Company granted stock options to employees and directors. The Company computes total compensation expense to stock options by the fair value method using the option-pricing model. The compensation expense has been accounted for as a charge to current operations and a credit to capital adjustment from the grant date using the straight-line method.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations.

The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate, which was ₩1,200.40 and ₩1,326.10 to US \$1.00 at December 31, 2002 and 2001, respectively, and the translation loss and gain is reflected in current operations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Income Tax Expense

The Company recognizes deferred income taxes. Accordingly, income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits). The difference between the income tax expense and the amount of income tax shown in the current period's tax return will be offset against the deferred income tax credits (debits), which will occur in subsequent periods.

Earnings Per Share

Basic ordinary income per common share and basic earnings per common share are computed by dividing ordinary income (after deduction for tax effect) and net income, respectively, by the weighted average number of common shares outstanding during the year. The number of shares used in computing ordinary income per share and earnings per share is 367,993,115 and 387,672,624 in 2002 and 2001, respectively. Diluted ordinary income per share and diluted earnings per share are computed by dividing ordinary income and net income, after addition for the effect of expenses related to diluted securities on net income, by the number of the weighted average number of common shares plus the number of dilutive potential common shares. As the Company has not issued any diluted securities and the stock options have no dilutive effect on basic ordinary income per share and basic earnings per share in 2002 and 2001, basic ordinary income per share and basic earnings per share are equal to diluted ordinary income per share and diluted earnings per share, respectively.

3. INVENTORIES

Inventories as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Finished goods and merchandise	₩ 195,570	₩ 193,775	₩ 162,921	₩ 161,425
Semi-finished goods and work in process	116,130	88,076	96,743	73,372
Raw materials and supplies	126,631	106,628	105,491	88,827
Materials in transit	46,687	31,938	38,892	26,607
	\$ 485,018	\$ 420,417	\$ 404,047	\$ 350,231

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

- (1) Marketable securities as of December 31, 2002 and 2001 are stated at fair value and consist of debt securities amounting to ₩19,565 million (\$16,299 thousand) and ₩30,620 million (\$25,508 thousand), respectively.

As of December 31, 2002, the Company has pledged part of its marketable securities amounting to ₩8,790 million (\$7,323 thousand) as collateral for certain borrowings.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

(2) Investment securities as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Equity securities accounted for using the equity method	₩ 378,281	₩ 231,344	\$ 315,129	\$ 192,722
Marketable investment equity securities	433,234	354,356	360,908	295,198
Unlisted equity securities	40,895	16,605	34,068	13,833
Debt securities	25,646	23,353	21,365	19,455
	₩ 878,056	₩ 625,658	\$ 731,470	\$ 521,208

(3) Equity securities accounted for using the equity method as of December 31, 2002 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Equity value	Equity value	Percentage of ownership (%)
Kia Motors America, Inc.	₩ 66,798	₩ -	\$ -	\$ 100.00
Kia Motors Deutschland GmbH	53,139	-	-	100.00
Kia Motors Europe GmbH	41,060	20,666	17,216	100.00
Kia Japan Co., Ltd.	33,197	23,479	19,559	100.00
Kia Tigers Co., Ltd.	20,300	14,094	11,741	100.00
Kia Canada, Inc.	58,507	-	-	82.53
Hyundai Powertek Co., Ltd.	70,000	70,263	58,533	50.00
Dong feng Yueda-Kia Motors Co., Ltd.	22,316	19,007	15,834	50.00
WIA Corporation	347	32,425	27,012	45.30
Cheju Dynasty Co., Ltd.	8,520	4,788	3,989	40.00
Bontek Co., Ltd.	1,950	6,470	5,390	39.00
Donghui Auto Co., Ltd.	10,530	10,530	8,772	35.12
PT. Kia Timor Motors	10,908	11,532	9,607	30.00
TRW Steering Co., Ltd.	8,952	9,080	7,564	29.00
Hyundai Dymos Co., Ltd.	30,850	33,119	27,590	27.07
e-HD.com Inc.	4,558	3,329	2,773	22.76
Hyundai Hysco Co., Ltd.	64,829	115,086	95,873	21.57
Autoever Co., Ltd.	1,000	2,186	1,821	20.00
Yan Ji Kia Motors A/S (*)	1,792	1,792	1,493	100.00
NGVTEK.Com (*)	250	250	208	24.39
Kia Service Philipines Co. (*)	185	185	154	20.00
	₩ 509,988	₩ 378,281	\$ 315,129	

(*) Excluded from using the equity method as individual beginning balance of assets are less than the required assets level of ₩ 7,000 million (\$ 5,831 thousand) and the differences arising from the use of the equity method are not considered material, which are stated at cost.

Equity securities are valued based on the unaudited financial statements with adjustments made for the effects of any significant events or transactions. Also, significant unrealized profit (loss) on intercompany transactions is eliminated.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

As of December 31, 2002, the difference between acquisition cost and equity value of ₩131,707 million (\$109,719 thousand) was accounted for as a charge to beginning accumulated deficit for ₩164,679 million (\$137,187 thousand) up to prior year, gain on valuation of ₩43,776 million (\$36,467 thousand) reflected in current operations and loss on valuation of investment equity securities of ₩10,804 million (\$8,999 thousand) reflected in capital adjustments.

Equity securities accounted for using the equity method as of December 31, 2001 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Equity value	Equity value	Percentage of ownership (%)
Kia Motors America, Inc.	₩ 66,798	₩ -	\$ -	100.00
Kia Motors Deutschland GmbH	53,139	-	-	100.00
Kia Japan Co., Ltd.	33,197	23,598	19,658	100.00
Kia Tigers Co., Ltd.	20,300	18,221	15,179	100.00
Kia Canada, Inc.	58,507	-	-	82.53
Hyundai Powertek Co., Ltd.	40,000	34,393	28,651	50.00
WIA Corporation	347	347	289	45.30
Cheju Dynasty Co., Ltd.	8,520	4,828	4,022	40.00
Bontek Co., Ltd.	1,950	1,950	1,624	39.00
Hyundai Dymos Co.,Ltd.	30,850	31,531	26,267	30.12
PT. Kia Timor Motors	10,908	11,205	9,334	30.00
Yancheng Yueda-Kia Motors Co., Ltd.	5,503	267	222	30.00
TRW Steering Co., Ltd.	8,952	8,952	7,458	29.00
e-HD.com Inc.	2,700	1,505	1,254	27.07
Hyundai Hysco Co., Ltd.	64,829	91,320	76,075	21.57
Yan Ji Kia Motors A/S (*)	1,792	1,792	1,493	100.00
NGVTEK.Com (*)	250	250	208	24.39
Autoever Co., Ltd. (*)	1,000	1,000	833	20.00
Kia Service Philipines Co. (*)	185	185	155	20.00
	₩ 409,727	₩ 231,344	\$ 192,722	

(*) Excluded from using the equity method as individual beginning balance of assets are less than the required assets level of ₩7,000 million (\$ 5,831 thousand) and the differences arising from the use of the equity method are not considered material, which are stated at cost.

As of December 31, 2001, the difference between acquisition cost and equity value of ₩178,383 million (\$148,603 thousand) was accounted for as a charge to beginning accumulated deficit for ₩29,721 million (\$24,759 thousand) up to prior year, a charge to accumulated deficit for ₩146,954 million (\$122,421 thousand) in the current year, gain on valuation of ₩11,996 million (\$9,993 thousand) reflected in current operations and loss on valuation of investment equity securities of ₩13,704 million (\$11,416 thousand) reflected in capital adjustments.

The unamortized balance of the positive goodwill and the unreversed balance of the negative goodwill as of December 31, 2002 and 2001 consist of the following:

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Kia Tigers Co., Ltd	₩ 13,804	₩ 17,749	\$ 11,500	\$ 14,786
Hyundai Dymos Co., Ltd.	6,042	8,056	5,033	6,711
TRW Steering Co., Ltd.	2,516	3,145	2,096	2,620
Cheju Dynasty Co., Ltd.	1,350	1,812	1,125	1,509
Dong feng Yueda-Kia Motors Co., Ltd.	3,748	-	3,122	-
Hyundai Hysco Co., Ltd.	(77,603)	(83,573)	(64,648)	(69,621)
WIA Corporation	(29,486)	(32,762)	(24,563)	(27,293)
Bontek Co., Ltd.	(5,421)	(6,776)	(4,516)	(5,645)
	₩ (85,050)	₩ (92,349)	\$ (70,851)	\$ (76,933)

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized over 5 years for positive goodwill or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill, using the straight-line method.

The value of investments in equity securities of Asia Motors Do Brasil SA has declined and is not expected to recover; accordingly, the difference between the book value and the fair value has been charged to current operations in 1998 as an investment impairment loss. The book value of these investments is zero and the net equity value has not been recovered as of December 31, 2002.

The cumulative losses not recognized by the Company due to suspension of the valuation of investment using the equity method as of December 31, 2002 and 2001 consist of following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Kia Motors America, Inc.	₩ 110,983	₩ 220,066	\$ 92,455	\$ 183,327
Kia Canada, Inc.	20,162	32,154	16,796	26,786
Kia Motors Deutschland GmbH	63,200	182,075	52,649	151,679
	₩ 194,345	₩ 434,295	\$ 161,900	\$ 361,792

(4) Marketable investment equity securities as of December 31, 2002 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Book value	Book value	Percentage of ownership (%)
Hyundai MOBIS Co., Ltd.	₩ 70,046	₩ 302,107	\$ 251,672	16.36
INI Steel Co., Ltd.	99,999	105,325	87,742	15.60
LG. Telecom. Co., Ltd.	10,056	8,020	6,681	0.59
Kia Steel Co., Ltd.	96	169	141	0.52
Kanglim Specific Equipment Automotive Co., Ltd.	347	68	57	0.38
SK Telecom. Co., Ltd.	837	5,716	4,762	0.03
Samho Co., Ltd	16	1	1	-
Samlip General Food Co., Ltd.	14	-	-	-
Stock Market Stabilization Fund	6,442	11,828	9,852	-
	₩ 187,853	₩ 433,234	\$ 360,908	

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Marketable equity securities as of December 31, 2001 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Book value	Book value	Percentage of ownership (%)
Hyundai MOBIS Co., Ltd.	₩ 70,046	₩ 261,919	\$ 218,193	17.55
INI Steel Co., Ltd.	67,680	55,338	46,100	11.52
LG. Telecom. Co., Ltd.	10,056	15,191	12,655	0.59
Kia Steel Co., Ltd.	96	130	108	0.52
Kanglim Specific Equipment Automotive Co., Ltd.	346	120	100	0.38
Stock Market Stabilization Fund	14,843	21,173	17,638	-
Treasury Stock Funds	2,000	485	404	-
	₩ 165,067	₩ 354,356	\$ 295,198	

Marketable investment equity securities were stated at fair value and the difference of ₩245,381 million (\$204,416 thousand) and ₩189,455 million (\$157,827 thousand) in 2002 and 2001, respectively, between the book value and fair value were recorded as gain on valuation of investments equity securities in capital adjustments, excluding ₩1,515 million (\$1,262 thousand) of treasury stock included in the treasury stock fund, which was recorded in treasury stock in capital adjustments as of December 31, 2001.

(5) Unlisted equity securities as of December 31, 2002 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Book value	Book value	Percentage of ownership (%)
EUKOR Car Carries, Inc	₩ 19,565	₩ 19,565	\$ 16,299	8.00
Wuhan Grand Motor Co., Ltd. (*)	7,500	7,500	6,248	21.40
Korea Telecom I Com Co., Ltd.	7,200	7,200	5,998	0.40
Dongwon Capital Co., Ltd.	3,000	3,000	2,499	4.62
Daeshin Factoring Co., Ltd.	2,000	-	-	3.33
Asset Management Co., Ltd.	950	950	791	19.99
Kihyup Technology Banking Corp.	700	700	583	2.41
Mobil com. Co., Ltd.	600	600	500	6.02
A.P. Co., Ltd.	550	-	-	9.20
Dongyung Industries Co., Ltd.	241	241	201	19.23
Namyang Industrial Co., Ltd.	200	200	167	8.00
The Korea Economic Daily Co., Ltd.	168	168	140	0.22
Other	771	771	642	-
	₩ 43,445	₩ 40,895	\$ 34,068	

(*) Excluded from using the equity method as temporary invested company

The value of investments in equity securities of Daeshin Factoring Co., Ltd. and A.P. CO., Ltd. has declined and is not expected to recover, accordingly, the difference between the book value and the fair value has been charged to current operations as an investment impairment loss.

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Unlisted equity securities as of December 31, 2001 consist of the following:

Company	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Book value	Book value	Percentage of ownership (%)
Korea Telecom I Com Co., Ltd.	₩ 7,200	₩ 7,200	\$ 5,998	0.40
Dongwon Capital Co., Ltd.	3,000	3,000	2,499	4.62
Daeshin Factoring Co., Ltd.	2,000	2,000	1,666	3.33
Shinsegi Telecom. Co., Ltd.	837	837	697	0.41
Kihyup Technology Banking Corp.	700	700	583	2.41
Mobil com. Co., Ltd.	600	600	500	6.02
A.P. Co., Ltd.	550	550	458	9.20
Donghui Auto Co., Ltd.	500	500	417	19.20
Dongyung Industries Co., Ltd.	240	240	200	19.29
Namyang Industrial Co., Ltd.	200	200	167	8.00
The Korea Economic Daily Co., Ltd.	168	168	140	0.22
Other	610	610	508	-
	₩ 16,605	₩ 16,605	\$ 13,833	

Total net equity value of unlisted investment equity securities as of December 31, 2002 and 2001 amount to ₩ 44,473 million (\$37,048 thousand) and ₩16,020 million (\$13,346 thousand), respectively, based on the investees' latest financial statements.

(6) Debt securities as of December 31, 2002 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Present value discount	Book value	Book value
Corporate bonds:				
Kia Steel Co., Ltd.	₩ 32,698	₩ 16,959	₩ 15,739	\$ 13,111
Seoul Guarantee Insurance Company	16,200	6,382	9,818	8,179
Asset Management Co., Ltd.	89	-	89	75
	₩ 48,987	₩ 23,341	₩ 25,646	\$ 21,365

Debt securities as of December 31, 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Acquisition cost	Present value discount	Book value	Book value
Corporate bonds:				
Kia Steel Co., Ltd.	₩ 32,698	₩ 18,253	₩ 14,445	\$ 12,033
Seoul Guarantee Insurance Company	16,200	7,292	8,908	7,422
	₩ 48,898	₩ 25,545	₩ 23,353	\$ 19,455

As the interest rates and repayment periods of corporate bonds were changed by mutual agreement in 1999, the difference between nominal value and present value was presented as bad debt expense, and amortized using the effective interest method over the remaining period.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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(7) The Company has pledged part of its investment equity securities as collateral for various short-term and long-term borrowings as of December 31, 2002 as follows:

Company	No. of shares pledged
Kia Steel Co., Ltd.	175,100
Kisan Mutual Saving's & Finance	306,160
Other	1,500

5. INSURANCE

As of December 31, 2002 inventories and property, plant and equipment are insured for ₩ 2,864,543 million (\$2,386,324 thousand). In addition, the Company carries general insurance for vehicles and workers' compensation and casualty insurance for employees. Also, the Company has insurance to cover potential product liability arising from its product liability claims with maximum coverage of \$50,000 thousand in North America and with maximum coverage of ₩ 2,000 million (\$1,666 thousand) for the domestic market.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Buildings and structures	₩ 1,222,836	₩ 1,203,497	\$ 1,018,690	\$ 1,002,580
Machinery and equipment	1,987,189	1,915,268	1,655,439	1,595,525
Vehicles	44,632	42,411	37,181	35,331
Tools, dies and molds	1,077,454	997,678	897,579	831,121
Office equipment	176,730	147,335	147,226	122,738
	4,508,841	4,306,189	3,756,115	3,587,295
Less: Accumulated depreciation	(1,882,817)	(1,534,632)	(1,568,491)	(1,278,434)
	2,626,024	2,771,557	2,187,624	2,308,861
Land	1,399,283	1,433,237	1,165,681	1,193,966
Construction in progress	141,547	98,643	117,916	82,175
	₩ 4,166,854	₩ 4,303,437	\$ 3,471,221	\$ 3,585,002

As of December 31, 2002, the Company's property, plant and equipment are pledged as collateral for various long-term debt to a maximum of ₩1,115,595 million (\$929,353 thousand), and certain machinery of ₩78,230 million (\$65,170 thousand) are mortgaged for various loans (see Notes 9 and 10).

The published value of the Company-owned land totals ₩1,110,428 million (\$925,048 thousand) and ₩1,137,165 million (\$947,322 thousand), respectively, as of December 31, 2002 and 2001, in terms of land prices officially announced by the Korean government.

7. INTANGIBLES

Intangibles as of December 31, 2002 and 2001 consist of the following:

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	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Industrial property rights	₩ 16,788	₩ 18,314	\$ 13,986	\$ 15,257
Development costs	282,936	158,569	235,701	132,097
	₩ 299,724	₩ 176,883	\$ 249,687	\$ 147,354

Development costs as of December 31, 2002 and 2001 are as follows:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Beginning of the year	₩ 158,569	₩ 70,358	\$ 132,097	\$ 58,612
Addition:				
Expenditures	392,513	299,726	326,985	249,688
Deduction:				
Ordinary development expense	(232,002)	(188,693)	(193,271)	(157,191)
Amortization	(36,144)	(22,822)	(30,110)	(19,012)
End of the year	₩ 282,936	₩ 158,569	\$ 235,701	\$ 132,097

8. OTHER ASSETS

Other assets as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Long-term deposits	₩ 59,261	₩ 61,467	\$ 49,368	\$ 51,205
Long-term trade notes and accounts receivable, net of unamortized present value discount of ₩ 2,369 million in 2002 and ₩ 2,680 million in 2001 (see Note 2)	11,588	10,113	9,653	8,425
Lease and rental deposits	134,849	131,883	112,337	109,866
Other	34,640	48,244	28,857	40,190
Total	₩ 240,338	₩ 251,707	\$ 200,215	\$ 209,686

9. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2002 and 2001 amount to ₩ 41,299 million (\$34,404 thousand) and ₩ 53,519 million (\$44,584 thousand), respectively, and consist of bank loans with annual interest rate ranging from 1.03 to 8.60 percent in 2002. These borrowings are secured by investment securities and property, plant and equipment (see Notes 4 and 6).

10. LONG-TERM DEBT

Long-term debt as of December 31, 2002 and 2001 consist of the following:

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	Annual interest rate (%)	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2002	2001	2002	2001
Debentures		₩ 769,476	₩ 817,310	\$ 641,016	\$ 680,865
Local currency loans					
Reorganization claims		524,855	942,547	437,234	785,194
Other loans	1.0~6.0	20,335	17,928	16,940	14,935
		545,190	960,475	454,174	800,129
Foreign currency loans					
Reorganization claims		148,611	223,563	123,801	186,240
Total long-term debt		1,463,277	2,001,348	1,218,991	1,667,234
Less: Current maturities		(112,551)	(362,415)	(93,761)	(301,912)
		₩ 1,350,726	₩ 1,638,933	\$ 1,125,230	\$ 1,365,322

Debentures as of December 31, 2002 and 2001 consist of the following:

Series	Maturity	Annual interest rate (%)	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
			2002	2001	2002	2001
Local currency						
258 th	December 2002	7.0	₩ -	₩ 200,000	\$ -	\$ 166,611
259 th	February 2004	7.0	250,000	250,000	208,264	208,264
Foreign currency						
260 th	July 2006	9.4	228,076	251,959	190,000	209,896
261 st	December 2004	3.5	120,040	132,610	100,000	110,472
262 nd	May 2005	3.1	180,060	-	150,000	-
			778,176	834,569	648,264	695,243
Less : discount of debentures issued			(8,700)	(17,259)	(7,248)	(14,378)
			769,476	817,310	641,016	680,865
Less : current maturities of debentures			-	(194,736)	-	(162,226)
			₩ 769,476	₩ 622,574	\$ 641,016	\$ 518,639

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Local currency loans as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Reorganization claims:				
Korea Development Bank	₩ 134,339	₩ 156,726	\$ 111,912	\$ 130,561
Korea Asset Management Corporation.	-	77,264	-	64,365
Kyobo Life Insurance Co.	49,636	57,907	41,350	48,240
Chohung Bank	-	45,332	-	37,764
Woori Bank	-	43,476	-	36,218
SG ABS Ltd.	33,595	39,191	27,987	32,648
Korea Development Leasing Corp.	29,527	34,447	24,598	28,696
Shinhan Bank	-	34,086	-	28,396
Hanaro Finance	26,868	31,342	22,383	26,110
Seoul Guarantee Insurance Company	13,849	15,137	11,537	12,610
Others	237,041	407,639	197,466	339,586
	524,855	942,547	437,233	785,194
Other loans	20,335	17,928	16,941	14,935
Sub total	545,190	960,475	454,174	800,129
Less: Current maturities	(87,784)	(135,741)	(73,129)	(113,080)
	₩ 457,406	₩ 824,734	\$ 381,045	\$ 687,049

Foreign currency loans as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Reorganization claims:				
Korea Development Bank	₩ 44,655	₩ 57,552	\$ 37,200	\$ 47,944
Bankers Trust Company	39,283	50,629	32,725	42,177
Chohung Bank	-	27,093	-	22,570
Woori Bank	14,416	18,022	12,009	15,013
First Citicorp Leasing Inc.	10,781	13,895	8,981	11,575
Korea Non-Bank Lease Financing	10,119	13,042	8,430	10,865
Citibank	7,958	10,256	6,629	8,544
Korea Development Leasing Corp.	4,175	5,381	3,478	4,483
Chohung Capital	3,800	4,898	3,166	4,080
Other	13,424	22,795	11,183	18,989
Sub total	148,611	223,563	123,801	186,240
Less: Current maturities	(24,767)	(31,938)	(20,632)	(26,606)
	₩ 123,844	₩ 191,625	\$ 103,169	\$ 159,634

In accordance with the court-approved reorganization plan, the above reorganization claims, with the exception of current maturities, will be repaid over seven years beginning 2002 to 2008. The applicable interest rate is variable depending on the 3-year non-guaranteed bond circulating earnings rate.

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In addition to the pledged assets explained in Note 6 to the financial statements, 88 blank checks, 179 blank promissory notes and 2 promissory notes totalling ₩ 1,820 million (\$1,516 thousand) are pledged as collateral for the short-term borrowings and the long-term local currency and foreign currency loans.

The maturities of long-term debt as of December 31, 2002 are as follows:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Debentures	Local currency loans	Foreign currency loans	Total
2004	₩ 370,040	₩ 88,282	₩ 24,766	₩ 483,088
2005	180,060	89,493	24,766	294,319
2006	228,076	88,947	24,730	341,753
Thereafter	-	190,684	49,582	240,266
	₩ 778,176	₩ 457,406	₩ 123,844	₩ 1,359,426
				\$ 1,132,478

11. COMMITMENTS AND CONTINGENCIES

- (1) As of December 31, 2002, the outstanding balance of accounts receivable from export sales discounted with recourse amounts to ₩1,068,230 million (\$889,895 thousand).
- (2) The Company is contingently liable for payment guarantees of indebtedness of ₩2 million (\$2 thousand) to Kisan Corporation as of December 31, 2002.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩74,682 million (\$62,214 thousand) to the banks concerned as of December 31, 2002. These guarantees are all covered by insurance contracts, which specifies a customer and the Company as contractor and beneficiary, respectively.
- (4) The Company is a defendant to 2 lawsuits pertaining to the Company's denial of creditors' claim in the in-court reorganization proceedings amounting to ₩112,109 million (\$93,393 thousand) as of December 31, 2002. In addition, the Company is a defendant in 4 lawsuits for compensation of losses or damages amounting to ₩6,140 million (\$5,115 thousand) as of December 31, 2002. The outcome of those lawsuits is not currently determinable.
- (5) The Company is carrying certain lawsuits pertaining to the disputes with the Brazilian Government and the Brazilian shareholders of Asia Motors Do Brasil S.A. (AMB), which was established as a joint venture by Asia Motors with a Brazilian investor, in Brazilian court. Also, in 2002, the Company brought the case to the International Court of Arbitration to settle the disputes.

The Company, a stockholder of AMB, has already written off its investment of ₩14,057 million (\$11,710 thousand), and the Company estimates that the above matter does not and will not affect the Company's financial statements at this time.
- (6) Effective December 1, 2000, the Company sold its Parts Sales division, which had been engaged in selling and distribution of motor parts for after-sales services, to Hyundai MOBIS. As part of the consideration for the disposal of the division, the Company receives 10 percent of ordinary income from the former division's operations during a ten-year period starting in 2001, which is payable every year during the said period.

12. CAPITAL STOCK

Capital stock as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Authorized	Issued	Par value	
2002	820,000,000 shares	369,730,455 shares	₩ 5,000	₩ 1,848,652
2001	820,000,000 shares	369,597,455 shares	₩ 5,000	₩ 1,847,987
				\$ 1,540,030
				\$ 1,539,476

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In accordance with the court-approved reorganization plan, on February 2, 1999, all issued shares of common stock, except those owned by specific related persons, were reduced by a ratio of 10 to 1, and the shares owned by the specific related persons were extinguished.

Also, under the court-approved reorganization plan, on March 30, 1999, ₩5,482,181 million (\$ 4,566,962 thousand) of the Company's debt was forgiven, including its guaranteed obligations, and an additional ₩1,799,999 million (\$1,499,499 thousand) of its liabilities was converted into capital stock for which 119,999,932 new shares were issued at ₩15,000 per share.

On November 18, 2002, ₩665million (\$554 thousand) of a creditor's claims in dispute was additionally determined by the court as the Company's reorganization claim and converted into capital stock for which 133,000 new shares were issued.

On November 4, 2000, the shareholders of the Company approved the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued at the date of shareholders' meeting. In accordance with the consensus reached during the said shareholders' meeting and the provisions of the Korean Commercial Code, the Company concluded the stock retirement covering 80 million treasury shares, which had been reacquired for retirement purposes since the date of the shareholders' meeting. As a result of the stock retirement, the number of the Company's total common shares issued has been reduced to 369,597,455 shares as of December 31, 2001.

Financial institutions, with loans to the Company that had been forgiven or converted into the Company's common stock, and Hyundai Motor Consortium were granted rights to subscribe to the registered non-voting preferred stock with a par value of ₩5,000. On December 28, 1998, the financial institutions acquired rights equal to 10 percent of the forgiven debt and liabilities converted into new capital stock. Also, on December 28, 1998, the Hyundai Motor Consortium acquired rights up to the extent that the Consortium shall own up to 51 percent of all the additional preferred shares to be issued. These pre-emptive rights can be exercised at once or several times in the fifth or tenth year from December 28, 1999, the date the court finally approved the reorganization plan, and the Company shall pay the dividend equal to at least 2 percent for the preferred shares to be issued for the exercise of the rights. In addition, the Asia Motors-invested financial institutions and Hyundai Motor Consortium were granted pre-emptive rights under the same conditions as described above.

13. CAPITAL SURPLUS

Capital surplus as of December 31, 2002 and 2001 consist of the following

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Paid-in capital in excess of par value	₩ 1,580,065	₩ 1,580,065	\$ 1,316,282	\$ 1,316,282
Gain on capital reduction	119,859	119,859	99,849	99,849
	₩ 1,699,924	₩ 1,699,924	\$ 1,416,131	\$ 1,416,131

As a result of the capital reduction on February 2, 1999, the Company recognized the gain in capital surplus of ₩340,848 million (\$283,945 thousand). In 2001, the Company accounted for the loss from the stock retirement amounting to ₩220,989 million (\$184,096 thousand) as a charge against the gain on capital reduction.

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14. DISPOSITIONS OF ACCUMULATED DEFICIT

The disposition of the Company's accumulated deficit through December 31, 2002 is summarized below:

	Date of disposition	Korean won (in millions)	U.S. dollars(Note 2) (in thousands)
Asset revaluation surplus	March 1999	₩ 17,472	\$ 14,555
Capital surplus	March 1999	3,833,190	3,193,261
Other capital surplus	March 2000	10,609	8,837
		₩ 3,861,271	\$ 3,216,653

The appraisal gain of ₩1,047,040 million (\$872,243 thousand) arising from the Company's assets revaluation on January 1, 1999 in accordance with the Asset Revaluation Law of Korea was offset against accumulated deficit.

15. CAPITAL ADJUSTMENTS

Capital adjustments as of December 31, 2002 and 2001 consist of the following:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Treasury stock	₩ (9,631)	₩ (9,798)	\$ (8,023)	\$ (8,162)
Valuation gain on investments (see Note 4)	234,577	175,751	195,416	146,410
Stock option cost	3,735	4,104	3,111	3,419
	₩ 228,681	₩ 170,057	\$ 190,504	\$ 141,667

(1) Treasury stock

As of December 31, 2002 and 2001, the Company has 1,609,158 shares and 1,628,048 shares of treasury stock, respectively, arising mainly from cross-holdings of investment equity securities due to mergers, and has recorded treasury stock at book value in capital adjustments as of those dates, respectively.

(2) Stock options

The Company granted stock options to 62 directors (grant date: March 17, 2000, exercise date: March 17, 2003, expiry date: March 18, 2008), at an exercise price of ₩5,500 (\$4.58) as determined during the meeting of the shareholders on March 17, 2000. If all of the stock options, which require at least two-year continued service, are exercised, 950,000 new shares or shares held as treasury stock will be granted in accordance with the decision of the Board of Directors. The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 10.0 percent, an expected exercise period of 5.5 years and an expected variation rate of stock price of 0.8387 are used. Total compensation expense amounts to ₩3,735 million (\$3,111 thousand) and to be accounted for as a charge to current operations and a credit to capital adjustment over the required period of service from the grant date using the straight-line method.

16. EXTRAORDINARY GAIN ON INCOME TAX BENEFITS

In 1999, the Company and Asia Motors asked the Korean tax authorities to reassess the accumulated tax loss carry forward totaling ₩4,573,584 million (\$3,810,050 thousand) for the loss on prior period error corrections that is attributable to events occurring from 1991 to 1997 and charged to the operations in 1998. However, the tax authorities refused to reassess the tax loss carry forward and, instead, imposed on May 1, 2000, a corporate tax assessment of ₩380,668 million (\$317,118 thousand) pertaining to taxable year 1998.

The Company appealed the dismissal of its request for the reassessment and imposition of corporate tax by the tax authorities and brought the case to the National Tax Tribunal. On January 31, 2001, the National Tax Tribunal accepted the Company's assertion and issued its decision for the reassessment of the Company's prior years' taxable income.

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Pursuant to the decision of the National Tax Tribunal, the tax authorities reassessed the Company's tax loss carry forward and determined the deductible amount for tax loss carry forward as ₩640,589 million (\$533,646 thousand) as of January 1, 2001, after the utilization of ₩98,093 million (\$81,717 thousand) of tax loss carry forward during fiscal 2000. In prior years, the future tax benefits from the tax loss carryforward were not recorded by the Company as deferred income tax assets pending the outcome of the tax litigation. Accordingly, in 2001, the Company recognized the tax benefits from the reassessed tax loss carry forward as an extraordinary gain in the amount of ₩197,301 million (\$164,363 thousand) (see Note 17). Additionally, in 2001, as a result of the determination of the deductible amount for tax loss carryforward, out of ₩34,256 million (\$28,537 thousand) paid and recorded as other receivables in 2000 with respect to the asset revaluation in 1999, the asset revaluation tax amounting to ₩22,044 million (\$18,363 thousand) was refunded to the Company.

17. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS

Income tax expense in 2002 and 2001 are computed as follows:

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Income tax currently payable	₩105,370	₩ -	\$ 87,779	\$ -
Changes in deferred income taxes due to:				
Temporary differences	12,269	(70,453)	10,221	(58,691)
Added to Accumulated Deficits	-	65,867	-	54,871
Tax loss carry forward	50,301	147,000	41,904	122,459
Tax credit carry forward	(8,009)	(73,197)	(6,672)	(60,977)
Income tax expense	₩ 159,931	₩ 69,217	\$ 133,231	\$ 57,662

The difference between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea is as follows:

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Income before tax	₩ 801,310	₩ 621,452	\$ 667,536	\$ 517,704
Permanent differences	12,493	(355,789)	10,407	(296,392)
Temporary differences	(39,267)	283,719	(32,712)	236,354
Other adjustments	23,227	(78,156)	19,349	(65,109)
	797,763	471,226	664,581	392,557
Tax loss carry forward	(169,363)	(471,226)	(141,089)	(392,557)
Taxable income	₩ 628,400	₩ -	\$ 523,492	\$ -

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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The changes in accumulated temporary difference in 2002 and 2001 and deferred income tax assets as of December 31, 2002 and 2001 are computed as follows:

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Accumulated temporary difference				
Beginning of period, net	₩ 1,594,592	₩ 1,310,873	\$ 1,328,384	\$ 1,092,030
Changes in the current year, net	(39,267)	283,719	(32,712)	236,354
End of period, net	₩ 1,555,325	₩ 1,594,592	\$ 1,295,672	\$ 1,328,384
Tax loss carry forward	-	169,363	-	141,089
Other difference	-	2,044	-	1,702
	1,555,325	1,765,999	1,295,672	1,471,175
Statutory tax rate (%)	29.7	29.7	29.7	29.7
	461,932	524,502	384,815	436,940
Tax credit carry forward	144,411	136,402	120,302	113,630
Deferred income tax assets	₩ 606,343	₩ 660,904	\$ 505,117	\$ 550,570

The accumulated temporary differences as of December 31, 2002 do not include the temporary differences of ₩278,562 million (\$232,058 thousand) for the gain on revaluation of land, which may not be disposed of in the near future. In addition, in 2001, the deferred income tax effect of ₩65,867 million (\$54,871 thousand) on the temporary differences arising from the cumulative effect of the change of the financial statements of the investments accounted for using the equity method and charging the Company's share in investees' cumulative loss to its accumulated deficit were directly adjusted in the accumulated deficit.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable that the differences will be realized in the future.

18. DIVIDENDS

The computation of the proposed dividends for 2002 is as follows:

	Number of Shares	Dividend rate	Korean won (in millions)	U.S. dollars(Note 2) (in thousands)
Common shares, net of treasury shares	368,121,297	5%	₩92,030	\$ 76,666

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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19. RELATED PARTY TRANSACTIONS

Significant transactions with affiliated companies and related balances as of December 31, 2002 are summarized below:

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Revenues	Expenses	Revenues	Expenses
Hyundai Motor Company	₩ 444,741	₩ 1,055,147	\$ 370,494	\$ 878,996
Hyundai MOBIS Co., Ltd.	861,712	1,101,049	717,854	917,235
Hyundai Hysco Co., Ltd.	26	83,416	22	69,490
Hyundai Capital Services, Inc.	7,079	60	5,897	50
Hyundai Powertek Co., Ltd.	10,018	150,031	8,346	124,984
Hyundai Dymos Co., Ltd.	155	9,918	129	8,262
WIA Corporation	99,123	403,914	82,575	336,483
TRW Steering Co., Ltd.	-	74,765	-	62,283
Bontek Co., Ltd.	6	95,775	5	79,786
Autoever Co., Ltd.	3,411	19,442	2,842	16,196
KEFICO Corporation	1,261	49,113	1,050	40,914
Kia Tigers Co., Ltd.	58	15,003	48	12,498
Hankook Logitech Co., Ltd	16	74,639	13	62,178
Overseas subsidiaries and other	3,986,924	258,748	3,321,330	215,551
	₩ 5,414,530	₩ 3,391,020	\$ 4,510,605	\$ 2,824,906

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	₩ 79,526	₩ 104,465	\$ 66,250	\$ 87,025
Hyundai MOBIS Co., Ltd.	111,345	137,978	92,757	114,943
Hyundai Hysco Co., Ltd.	-	16,788	-	13,985
Hyundai Powertek Co., Ltd.	1,515	26,902	1,262	22,411
Hyundai Dymos Co., Ltd.	48	5,715	40	4,761
WIA Corporation	7,203	93,340	6,000	77,757
TRW Steering Co., Ltd.	-	10,918	-	9,095
Bontek Co., Ltd.	3,184	21,743	2,652	18,113
Autoever Co., Ltd.	-	8,706	-	7,253
KEFICO Corporation	151	7,599	126	6,330
Hankook Logitech Co., Ltd	13	11,091	11	9,239
Overseas subsidiaries and other	88,746	18,241	73,930	15,197
	₩ 291,731	₩ 463,486	\$ 243,028	\$ 386,109

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Significant transactions with affiliated companies and related balances as of December 31, 2001 are summarized below:

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Revenues	Expenses	Revenues	Expenses
Hyundai Motor Company	₩ 457,927	₩ 809,373	\$ 381,479	\$ 674,253
Hyundai MOBIS Co., Ltd.	97,792	159,367	81,466	132,762
Hyundai Hysco Co., Ltd.	4	94,986	3	79,129
Hyundai Capital Services, Inc.	59,882	49	49,885	41
Hyundai Powertek Co., Ltd.	224,103	40,229	186,690	33,513
Hyundai Dymos Co., Ltd.	-	9,332	-	7,774
WIA Corporation	73,304	353,197	61,066	294,233
TRW Steering Co., Ltd.	-	61,122	-	50,918
Bontek Co., Ltd.	114	99,195	95	82,635
Overseas subsidiaries and other	3,566,061	56,135	2,970,727	46,764
	₩ 4,479,187	₩ 1,682,985	\$ 3,731,411	\$ 1,402,022

Description	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	₩ 96,556	₩ 7 4,548	\$ 80,437	\$ 62,103
Hyundai MOBIS Co., Ltd.	74,557	20,789	62,110	17,318
Hyundai Hysco Co., Ltd.	3	18,928	2	15,768
Hyundai Powertek Co., Ltd.	119,227	27,535	99,323	22,938
Hyundai Dymos Co., Ltd.	-	3,042	-	2,534
WIA Corporation	7,684	46,192	6,401	38,481
TRW Steering Co., Ltd.	-	8,552	-	7,124
Bontek Co., Ltd	3,183	12,552	2,652	10,457
Overseas subsidiaries and other	336,849	16,843	280,614	14,031
	₩ 638,059	₩ 228,981	\$ 531,539	\$ 190,754

20. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

The following is a summary of the assets and liabilities denominated in foreign currencies as of December 31, 2002 and 2001.

		Foreign currency (in thousands)		Korean won (in millions)	
		2002	2001	2002	2001
Assets	US \$	310,643	US \$ 400,114	₩ 372,896	₩ 530,560
	EU	70,264	EU 24,096	88,347	28,254
	DEM	96	DEM 150,392	62	90,166
	AUS	265	AUS 265	180	180
	CAD	-	CAD 63,866	-	53,222
Liabilities	US \$	642,708	US \$ 518,527	₩ 771,507	₩ 687,620
	DEM	4,463	DEM 9,416	2,869	5,644
	JP¥	11,764,694	JP¥ 11,019,940	119,161	111,235
	FRF	488	FRF 15,116	94	2,702
	EU	6,469	EU 14,960	8,134	17,543

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

21. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED

The accounts and amounts needed for calculation of value added are as follows:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Ordinary income	₩ 801,310	₩ 424,151	\$ 667,536	\$ 353,341
Labor costs	1,609,923	1,362,850	1,341,155	1,135,330
Interest expense, net	13,865	75,455	11,550	62,858
Rent	10,984	10,580	9,150	8,814
Taxes and dues	20,011	20,373	16,670	16,972
Depreciation	462,596	452,117	385,369	376,639
	₩ 2,918,689	₩ 2,345,526	\$ 2,431,430	\$ 1,953,954

22. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses are as follows:

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Salaries and wages	₩ 394,158	₩ 340,762	\$ 328,356	\$ 283,874
Sales promotion	264,175	209,699	220,072	174,691
Travel	14,473	14,996	12,057	12,493
Communications	9,880	11,471	8,231	9,556
Utilities	7,422	7,548	6,183	6,288
Taxes and dues	7,688	9,148	6,405	7,621
Rent	10,269	10,147	8,555	8,453
Depreciation and amortization	27,680	23,905	23,059	19,914
Repairs and maintenance	3,136	2,936	2,612	2,446
Advertising	90,954	71,273	75,770	59,374
Freight	40,343	35,693	33,608	29,734
Supplies and stationery	5,353	5,196	4,459	4,329
Commissions and fees	81,818	67,161	68,159	55,949
Education and training	6,177	5,674	5,146	4,727
Ordinary research and development	114,348	73,425	95,258	61,167
Overseas marketing	91,269	192,761	76,032	160,581
Export related expenses	308,003	293,532	256,584	244,528
Warranty	427,013	521,095	355,726	434,101
Provision for doubtful accounts	-	168,676	-	140,516
Miscellaneous	14,069	10,249	11,719	8,537
	₩ 1,918,228	₩ 2,075,347	\$ 1,597,991	\$ 1,728,879

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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23. GEOGRAPHIC SEGMENT INFORMATION

The following is a summary of sales by geographic area in 2002 and 2001.

	Korean won (in millions)		U.S. dollars(Note 2) (in thousands)	
	2002	2001	2002	2001
Domestic sales	₩ 8,180,491	₩ 6,354,101	\$ 6,814,804	\$ 5,293,320
Export sales				
North America	3,344,308	3,326,627	2,785,995	2,771,265
Middle and South America	363,486	473,826	302,804	394,723
Europe	1,071,728	1,022,245	892,809	851,587
Others	1,096,437	1,179,547	913,393	982,629
	5,875,959	6,002,245	4,895,001	5,000,204
	₩ 14,056,450	₩ 12,356,346	\$ 11,709,805	\$ 10,293,524



KIA MOTORS

Passenger & RV Lineup



OPIRUS



Optima / Magentis



Rio



SORENTO



SEPHIA II



SHUMA II



CARNIVAL / SEDONA



CARENS



1944

Since its foundation in 1944, Kia Motors has devoted itself for more than half a century to the sole purpose of personal mobility. Kia's product development history extends from Korea's first domestically produced bicycle through two-wheel motorbikes, three-wheel vehicles, and four-wheel-drive trucks, to the family car, telling a story all its own.

- 1944 · Company founded as KyungSung Precision Industry
- 1952 · Company produces first Korean-made bicycle, the Samcheolli model
- 1957 · Siheung Plant completed
- 1961 · C-100 motorcycle enters production
- 1962 · K-360 3-wheel truck introduced



- 1979 · Assembly of Peugeot 604 sedan commenced
- Assembly of Fiat 132 sedan commenced



1980

The boom years for Kia Motors, the 1980s began with landmark events including the assassination of President Park Chung Hee and the second world oil shock. But Kia turned crisis into opportunity as external events were used to spur innovation and the achievement of unprecedented growth through far-reaching cost reductions, technological development, and a bold sales strategy.

1990

In the 90s, Kia laid down a concrete plan of action centered on a global management strategy. With the construction of the Hwasung Plant, the production system was expanded to an international scale, and by developing its own first new model, Kia gained technological competitiveness in the global market. A change of name from Kia Industries to Kia Motors, along with a new logo, helped bring Kia into the ranks of full-line automobile manufacturers.



- 1990 · Asan Bay Plant constructed
- Company name changed to Kia Motors Corp.

1990

- 1995 · Credos (Clarus) mid-size sedan introduced
- Tokyo R&D center opened
- Pregio minibus produced
- 1996 · Sephia and Credos exported to Europe
- Elan sports roadster produced
- Kia Sihwa Research Center constructed
- Total vehicle production reaches 5 million units

2000

Kia Motors staged a stunning turnaround after the financial difficulties brought on by the foreign currency crisis of 1997. A company-wide management overhaul following the crisis achieved a complete normalization of management, and in 2001 the company achieved its highest annual profit since its foundation.

Kia is now preparing to join the ranks of the world's top five car manufacturers by 2010.



2000



- 2001 · Carnival II marketed
- Kia receives Korea HR management award (12th)
- Kia wins grand prize in Korea Quality Management Award
- Kia Tigers baseball team formed
- Full entry into Chinese automobile market

Kia Motors History



Annual report 2002

1973

1973 is a watershed in the history of Kia and Korea's automobile history as it marks the opening of the Sohari Plant and the start of mass production. With it Kia introduced the nation's first conveyor-system production line, set up a production structure based on a single continuous process, and produced the first four-wheel trucks and cars to be made in Korea, thus breaking new ground as an all-round vehicle manufacturer.

- 1971 · Kia Service Corp. established Titan and Boxer four-wheel trucks enter production
- 1973 · Sohari factory built
- Kia produces first Korean-made gasoline engine (2,000cc)
- 1974 · Kia begins production of first Korean-made passenger car, Brisa
- 1975 · First export of finished automobile (Brisa pickup)
- 1976 · Take-over of Asia Motors Co.
- 1978 · Diesel engine enters production
- 1979 · Assembly of Peugeot 604 sedan commenced
- Assembly of Fiat 132 sedan commenced



- 1980 · Bongo Truck small cargo vehicle produced
- 1981 · Bongo Coach minibus produced
- 1983 · Ceres multipurpose farm truck produced
- 1986 · Besta minibus produced
- Kia basketball team formed
- Pride (Festiva) passenger car produced
- 1987 · First export of Pride model
- Concord mid-size passenger car produced
- 1988 · Trade 2.5-ton truck produced
- Rhino 5-ton truck marketed
- Total vehicle production to date reaches 1 million units
- 1989 · Capital mid-size passenger car launched

- 1991 · Sephia compact sedan and Sportage SUV appear in 29th Tokyo Motor Show
- 1992 · Sephia and Potentia luxury sedan enter commercial production
- New company headquarters constructed
- Kia Japan Corp. established
- Kia Motors America established
- 1993 · Total vehicle production reaches 3 million units
- Sportage enters commercial production
- Comprehensive vehicle proving ground constructed
- 1994 · Kia Motors celebrates 50th anniversary
- Group corporate identity revised
- Avella (Aspire) enters production
- Sephia and Sportage exported to U.S.A.



- 1997 · Enterprise luxury sedan launched
- Bongo Frontier produced
- Sephia wins China World Rally
- Sephia II produced
- Plant constructed for joint venture in China
- Shuma mid-size sports sedan introduced
- 1998 · Carnival minivan produced
- Credos II mid-size sedan produced
- Frontier Tilting cap 1-ton truck produced
- Parktown multipurpose 7-passenger wagon produced
- Total exports to date reach 2 million units
- 1999 · Asan Bay Plant renamed to Hwasung Plant
- Kia New Start 2000 event held
- Exhibition of new models
- Visto compact car, Carstar RV and Millennium Rio produced



- 2000 · Kia Sportage completes Paris-Dakar Rally
- BI logo introduced to whole range of Kia vehicles in domestic market
- Spectra produced
- Carens 2.0 Di LPG-powered vehicle produced
- Optima mid-size sedan produced
- Retona Cruiser jeep produced
- Sportage wins Baja 2000 Rally



- 2002 · Carnival Common Rail marketed
- Sorento luxury SUV marketed
- Kia Q Service enters full operation
- Diesel-powered Carens II marketed
- Cumulative production reaches 10 million units
- First Skill World Cup Competition held
- Regal mid-size sedan marketed
- Company awarded 2002 Value Management Award
- Upgraded compact sedan Rio SF marketed
- Subsidiary companies established in 5 European countries
- Company awarded Grand Prize in Korea Service Quality Award
- Sorento begins exports to overseas market